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## LETTER FROM THE COMMISSIONER

October 1, 2001

The Honorable Frank O'Bannon  
Governor, State of Indiana  
State House, Room 206  
Indianapolis, Indiana 46204-2797

Dear Governor O'Bannon:

It is my pleasure to present to you a copy of the Indiana Department of Revenue's twelfth annual report. The report provides you and the Indiana Legislative Council with a summary of the Department's accomplishments and also meets all legal requirements set forth by Indiana Code 6-8.1-1-8, which is known as the Indiana Taxpayer Bill of Rights.

Also, as Commissioner, I attest that the Department is in compliance with Indiana Code 6-8.1-3-2.5, which states that the Department may not include the amount of revenue collected or tax liability assessed in the evaluation of an employee; nor may it impose or suggest production quotas or goals for employees based on the number of cases closed.

Sincerely,



Kenneth L. Miller  
Commissioner

# ABOUT THE INDIANA DEPARTMENT OF REVENUE

## Mission Statement

The Indiana Department of Revenue will administer the tax laws of the State of Indiana in an equitable and courteous manner to promote the highest degree of public trust and voluntary compliance.

## Motto

"Committed to public trust and service"

## Department Divisions

### **Administration**

*Sections: Commissioner, Deputy Commissioner, General Counsel to the Commissioner, Director of Operations, Director of Media Relations and Publications.*

The four main components of this Division assist in overseeing the entire agency. In addition, the Director of Media Relations and Publications handles media inquiries, publicity, the Department's annual report, and internal and external publications for tax professionals and nonprofit organizations.

### **Audit**

*Sections: Audit Billing/Inquiries, Audit Review, Audit Selection, Operations, Travel and Supplies, Special Tax, Field Auditing and Taxpayer Services in District Offices.*

This Division promotes voluntary compliance throughout the state and the country in all Indiana tax areas through quality examinations. It is also responsible for the Department's 11 District Offices, which are located throughout Indiana.

### **Collections**

*Sections: Correspondence, Billings/Agent, Phone Pursuit, Title/Licensing.*

This Division provides centralized management in the collection of delinquent tax liabilities.

### **Compliance**

*Sections: Aeronautics, Bankruptcy/Responsible Officer, Charity Gaming/Not-For-Profit Organizations, Individual/Withholding, Strategic and Utility/Refund.*

This Division researches, develops, tests and implements various projects that identify non-filing, noncomplying taxpayers for corporate, individual, sales/use, food and beverage, county innkeepers, fuel and withholding taxes. All information for filing registration of not-for-profit organizations is conducted by this Division, as well as the approval and issuance of all charity gaming licenses (e.g. raffles, bingo, door prizes, pull-tabs and punch boards). Records are researched for bankrupt individuals and businesses to identify tax liabilities for the purpose of submitting "proof of claims" to the bankruptcy courts. Outreach through educational seminars and projects and programs are conducted in an effort to promote "voluntary" compliance by Indiana taxpayers.

### **Controller**

*Sections: Budget Analyst, Business Administration, Accounting/Counties, Electronic Funds Transfer (EFT), Cigarette Tax and Other Tobacco Products, Mail Services.*

This Division handles budgeting and purchasing for the Department under the guidance of the Controller. Other responsibilities include depositing of tax revenues, preparing appropriate reports and conducting all related banking functions. The Controller's Office administers those taxes collected by the state and returned to the county of origin. This Division also handles the inventory and sale of cigarette tax stamps.

## **Criminal Investigation**

*Sections: Case and Data Management, Charity Gaming Enforcement, Controlled Substance Excise Tax, Private Employment Agency Licensing, Internal Affairs, Motor Fuel Fraud, Motor Vehicle Excise Tax, and Fraud Investigations/Audit.*

The Division's primary mission is to detect fraud and prosecute tax evaders. It is responsible for conducting investigations into alleged violations of Indiana tax laws and determining civil liabilities or presenting evidence for criminal prosecution in an effort to increase voluntary compliance.

The majority of these investigations involve the collection and failures to remit trust taxes. The Division also monitors charity gaming operations throughout the state and works in conjunction with the Indiana State Police to monitor the unlawful use of dyed fuel on the highways. The Division also cooperates with prosecuting attorneys throughout the state in assessing the controlled substance excise tax on those illegally possessing certain drugs and monitors and enforces the collection of the Motor Vehicle Excise Tax from Hoosiers who plate their vehicles outside Indiana. This money is returned to the county where the taxpayer legally resides. The Department also conducts background investigations on all employment prospects and investigates alleged employee wrongdoing. The Division is also responsible for the investigation and licensing of Private Employment Agencies.

## **Information Technology**

*Sections: Administrative Services, Operations, Systems & Programming, Technical Support.*

This Division supports the Department's efforts and goals by creating and administering computerized tax processing systems for the other divisions of the Department. This Division operates with a goal of providing tax processing systems that are increasingly easier to use; constantly improving efficiency and service to the taxpayer; and maintaining secure and confidential records.

## **Legal**

*Sections: Appeals, Litigation, Inheritance Tax, Fiduciary Income Tax, and Protest Review.*

This Division includes the Department's legal staff, which oversees the appeals process from an original tax protest to the Indiana Tax Court. This Division also contains the Inheritance Tax Section, which collects tax on all taxable transfers of property resulting from the death of an Indiana resident, or a nonresident decedent, with real or tangible personal property located in Indiana.

## **Motor Carrier Services**

*Sections: Customer Service Center, Motor Carrier Road and Fuel Use Taxes, International Vehicle Registration Plan, Safety & Insurance Registrations, Commercial Driver's Licensing, Oversized & Overweight Vehicle Permitting, Accounting & Fund Distribution.*

This division provides all of the above tax and registration services to the motor carrier community. The division also collects and distributes revenue to other states and Canadian provinces in accordance with international agreements. Equally important is the effort to work in partnership with the Federal Motor Carrier Safety Administration and other stakeholders to promote and increase safe highway operations, resulting in fewer commercial carrier accidents and fatalities.

The Motor Carrier Services Division operates under one administration and one "roof". It is located at the Ameriplex Office Park on the southwest side of Indianapolis, offering a "One-Stop-Shop" for the trucking community.

## **Personnel**

*Sections: Training, Administration, Affirmative Action, Wellness, Payroll/Benefits.*

This Division administers all "human resource" aspects within the Department, including employee and supervisor training, wellness programs, recruiting, payroll and benefits, labor relations, and governmental regulatory administration. It also assists with employee morale programs.

## **Taxpayer Advocate Office/Public Affairs**

*Taxpayer Advocate Sections: Taxpayer Advocate.*

The Office of the Taxpayer Advocate is designed to address complex and special tax problems. The primary goal is to correct exceptional tax problems. The secondary goal is to identify and restructure departmental processes and procedures which may have created or contributed to legitimate problems. A taxpayer's problem is considered exceptional if 1) attempts at resolution through normal departmental channels have been unsuccessful; or, 2) an ongoing, continual problem exists with the filing of tax returns; or, 3) continual assessments result from systematic processing problems.

*Public Affairs Sections: Form Development and Revisions, Outreach Education, Practitioner Services, Tax Preparation Software approval, Indiana TaxFax and the Department's Web site.*

This Division administers internal and external education, tax form revision and editing and the Indiana TaxFax form distribution system. It also coordinates content for the Department's web site, approves software companies who produce Indiana tax preparation software and edits the Charity Gaming Annual Report.

## **Quality Assurance**

*Section: Quality Systems.*

This Division oversees the development, testing and ongoing changes to the Department's Returns Processing System (RPS). The Quality Assurance Division also monitors system output to ensure standards of quality and to assist in problem identification.

## **Returns Processing Center**

*Sections: A/R Payments, Batch and Edit, Unidentified Checks, Check Processing, Forms Processing, Mail Open and Sort, Mail Out and Forms Order, Print Shop, Records Management, Logistic support, Data Capture, Corporate Income Tax, Individual Income Tax, System Services, Fuel and Environmental, LAN Support, Return Mail, Business Communication, Administration and Administrative Support.*

The Returns Processing Center is the beginning and the ending of the life of paper tax returns. It receives, processes and posts all returns and checks to the taxpayer accounts in the Returns Processing System. It sees that the returns are posted in an accurate and timely manner which then allows the rest of the Department access to the data it needs to complete its other job functions. Once the Department has completed work on a particular group of returns and they have been kept the appropriate period of time, it is again the Returns Processing Center that sees to it that the returns are ready for destruction. It works with the rest of the Department to develop new ways that technology can be used in the filing of both returns and payments to give the taxpayers additional selections for their filing methods. In addition to these functions, the Returns Processing Center also prints various forms for use both in the Department and for other agencies. We provide taxpayer services to Corporate, Sales and Withholding accounts, as well as Fuel and Environmental accounts, Cigarette and Alcoholic Beverage accounts.

## **Tax Policy**

*Sections: Policy Research, Fiscal Analysis, Technical Tax Research, Legislative Affairs.*

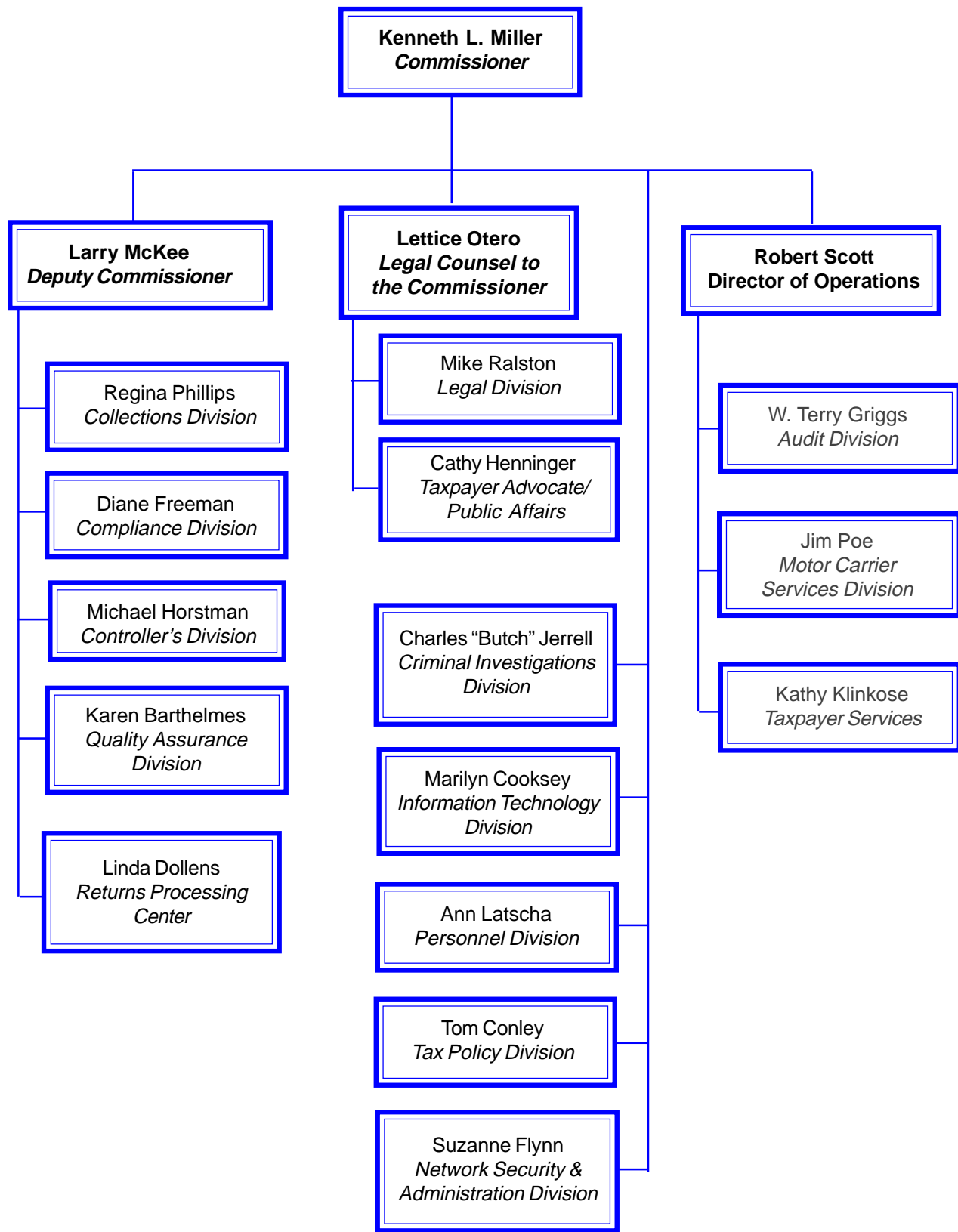
This Division primarily works with legislative efforts, serving as a legislative liaison for the Indiana General Assembly. This division also is responsible for all voluntary compliance agreements that are completed with previously unregistered taxpayers. The Division issues rulings, policy directives and some information bulletins, as well as helps to determine the correct interpretation of the law. The Division provides tax statistics to both federal and state agencies as well as to other states.

## **Taxpayer Services**

*Sections: Telephone Section, Correspondence, Research and Support, and Taxpayer Assistance.*

This Division provides free-of-charge walk-in and telephone assistance to Indiana taxpayers. This Division combines many direct contact functions generally involving three major tax types: individual income tax, sales, and withholding taxes.

## DEPARTMENTAL STRUCTURE



***The Indiana Department of Revenue has 948 employees.***

## TAX HELP TELEPHONE NUMBERS

### AUTOMATED INFORMATION LINE

Check on the status of refunds;  
prerecorded tax topics; tax liability  
balances.

(317) 233-4018

### COLLECTION/LIABILITY INQUIRIES

(317) 232-2165

### CORPORATE TAX INFORMATION

(317) 615-2662

### INDIANA TAXFAX SYSTEM

Call from the telephone portion of your  
FAX machine to retrieve tax forms  
and information bulletins. Available  
24 hours a day.

(317) 233-2329

### INDIVIDUAL INCOME TAX INFORMATION

(317) 232-2240

### INTERNET ACCESS

Access to forms, information bulletins  
and directives, tax publications, e-  
mail, the PC-Filing Program, et al.

<http://www.IN.gov/dor>

### MOTOR CARRIER SERVICES DIV.

(317) 615-7200

### SALES TAX INFORMATION

(317) 233-4015

### TAX FORMS ORDER LINE

Available 24 hours a day

(317) 615-2581

### TELEPHONE DEVICE FOR THE DEAF (TDD)

(317) 232-4952

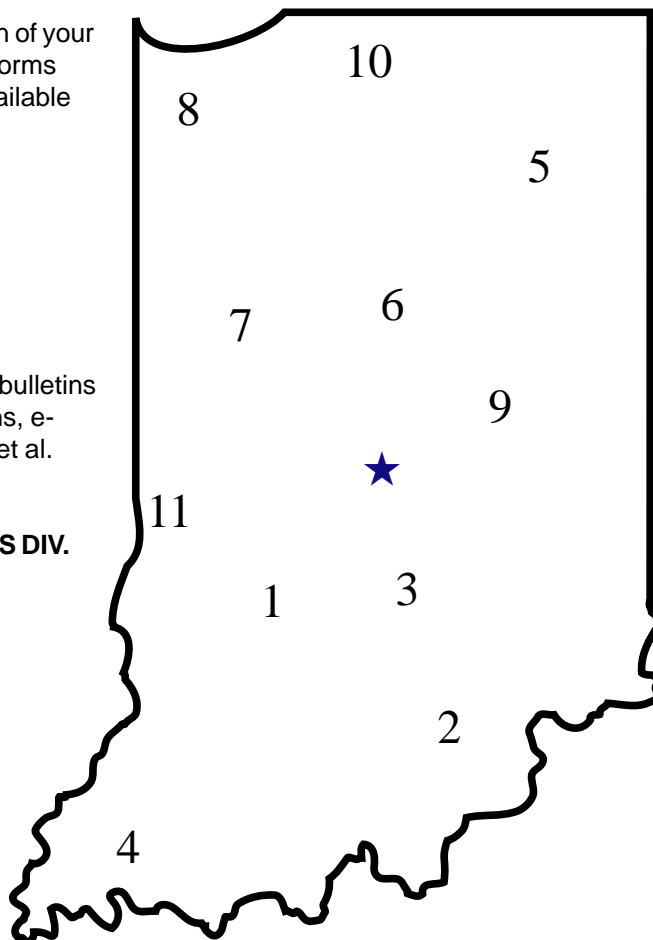
### WITHHOLDING TAX INFORMATION

(317) 233-4016



## INDIANAPOLIS (MAIN OFFICE)

Indiana Government Center  
North, Room N105  
100 N. Senate Avenue  
Indianapolis, IN 46204  
(317) 232-2240



## DISTRICT OFFICES

### 1) Bloomington

410 Landmark Avenue  
Bloomington, IN 47043  
(812) 339-1119

### 2) Clarksville

#### Physical Location

1446 Horn Street  
Clarksville, IN 46129

#### Mailing Address

P.O. Box 3249  
Clarksville, IN 47131-3249  
(812) 282-7729

### 3) Columbus

3138 N. National Road  
Columbus, IN 47201  
(812) 376-3049

### 4) Evansville

500 S. Green River Rd.  
Goodwill Building  
Suite 202  
Evansville, IN 47715  
(812) 479-9261

### 5) Fort Wayne

5800 Fairfield Avenue  
Suite 200  
Fort Wayne, IN 46807  
(219) 456-3476

### 6) Kokomo

117 E. Superior St.  
Kokomo, IN 46901  
(765) 457-0525

### 7) Lafayette

100 Executive Dr.  
Suite B  
Lafayette, IN 47905  
(765) 448-6626

### 8) Merrillville

8368 Louisiana Ave.  
Suite A  
Merrillville, IN 46410  
(219) 769-4267

### 9) Muncie

3640 N. Briarwood Lane  
Suite 5  
Muncie, IN 47304  
(765) 289-6196

### 10) South Bend

1025 Widener Lane, Suite B  
South Bend, IN 46614  
(219) 291-8270

### 11) Terre Haute

30 N. 8th St., 3rd Floor  
Terre Haute, IN 47807  
(812) 235-6046



## A YEAR IN REVIEW: FISCAL YEAR 2001 -- July 1, 2000 - June 30, 2001

### NATIONAL RECOGNITION

#### **Center for Digital Government Award**

Indiana received a perfect score and a first place ranking in a recent survey of 49 states conducted by the Center for Digital Government in the area of revenue/taxation. The Digital State Survey gathered information on how states are moving from paper-based to electronic processes. North Carolina was the only other state to receive a perfect score.

Indiana received this ranking for many reasons, including the availability and the frequency in which tax forms are downloaded from its web site. Most importantly, the Department was recognized for the growth it has experienced in offering Hoosier taxpayers alternative filing methods, such as electronic filing and 2-D Barcode technology. During the 2001 filing season, the Department received almost half of its Individual Income Tax returns via alternative filing methods. The Department has begun to meet the goal of every state revenue agency – to move from a standard paper to a more streamlined electronic environment.

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#### **Pioneer Institute Award**

The Indiana Department of Revenue also received an Honorable Mention in the “2000: Ideas into Action - Better Government Competition,” sponsored by the Pioneer Institute of Boston for its application of the 2-Dimensional Bar Code to tax returns.

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#### **2000 Innovations Awards**

The Indiana Department of Revenue won Third Place in the 2000 Innovations Awards presented by the Council of State Governments for its 2-D Bar Coding of Indiana state tax returns. The awards ceremony was held at the Midwestern Legislative Conference in Minneapolis, Minnesota in early FY01.

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#### **Hammer Awards -- U.S. Government**

In FY01, the Department won two Hammer Awards. The Taxpayer Services Division won a Hammer Award for its Federal/State TeleFile Program Team; and, Motor Carrier Services Division won a Hammer Award for its PRISM Program, Performance and Registration Information Systems Management.

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#### **Top Notch Web Site**

The Department received recognition this year for “One of the Top Notch Web Sites” for ease of use. The Department’s Web Site was recognized by Govspot.com, the government information portal of the Web, as one of the best state government resources.

#### **Software Developers’ Approval**

Indiana’s was the only state department of revenue to be graded as “Outstanding” by the National Association of Computerized Tax Processors. This honor comes from the Department’s close cooperation and communication with tax software developers throughout the design process.

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### ELECTRONIC COMMUNICATIONS

“Doing Business in Indiana” has never been easier!

Tax related topics of special interest to new businesses in Indiana and to those contemplating starting new businesses were collected into a special section of the Department’s Web site ([www.IN.gov/dor/](http://www.IN.gov/dor/)) this year. Topics include how to become a corporation and how to register with the State to collect and remit Indiana sales/use and withholding taxes.

Business structures are discussed, such as domestic and foreign corporations, S corporations, unincorporated entities, such as limited liability partnerships (LLPs), limited partnerships, sole and general proprietorships, as well as not-for-profit entities, organized either formally or informally, requirements for contractors who want to do business with Indiana, and part-time/temporary/seasonal employers, and retirement withholding.

Also included are: topical references to departmental notices and information bulletins, the Indiana Tax Code and the Indiana Administrative Code, tax tables, required corporate tax forms and instructions (e.g. Form BT-1, Business Tax Application et al.), as well as references to other helpful organizations and state offices.

#### **Forms Availability**

The state’s individual tax return was downloaded 500,000 times in the first three months of 2001. Toward the end of the filing period, the Department’s Web site was getting 32 requests per second for tax forms.

Forms and instructions are also available in the Indiana Package IN-X CD-ROM and by e-mail request to [pfrequest@dor.state.in.us](mailto:pfrequest@dor.state.in.us).

Since most of these methods require computer access, the Department continues to develop and improve the TaxFax system (see later in this article) for taxpayers without computer access.

In addition, forms are available by telephoning the Department’s forms ordering hotline at (317) 615-2581, or by writing to: Forms Ordering Section, Indiana Department of Revenue, 100 N. Senate Avenue, Rm. N-248, Indianapolis, IN 46204-2253.



### **IN E-Pay**

Rolled out in FY01 was the new IN E-Pay system, an electronic method for Hoosier taxpayers to pay amounts owed to the Indiana Department of Revenue with either a telephone call or via the Internet. Payments can be made for either current taxes or previous billings from the Department. A partnership with accessIndiana, a division of Indiana Interactive, Inc., a wholly-owned subsidiary of the National Information Consortium (NIC), helped to launch this new and exciting payment system for Hoosier taxpayers.

### **Electronic Distribution**

The conversion from U.S. Postal Service mailings to electronic methods of e-mail and FAX has begun.

It is expected that distribution expenses of press releases to the media and newsletters and announcements to tax practitioners will be greatly reduced, thereby saving taxpayer money and helping to save the environment, as well.

### **The Indiana TaxFax System**

The TaxFax system is an automated form and information distribution system. It is available 24 hours a day, seven days a week. To access the system, taxpayers and tax professionals can call (317) 233-2329 from the telephone portion of a FAX machine to obtain most forms and/or catalogs of available forms.

During Fiscal Year 2001, the system answered 12,348 calls, which was 30% down from the 2000 fiscal year. This decrease coincides with the increased development by the Department and increased usage by taxpayers of the Department's Internet site ([www.IN.gov/dor/](http://www.IN.gov/dor/)), where forms are available for downloading.

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## **MEDIA RELATIONS AND PUBLICATIONS**

### **Media Relations**

The Media Relations and Publications Office, with assistance from the Taxpayer Advocate Office/Public Affairs Division, conducted interviews with broadcast and print media around the state during February, taking news of the Department's new Spanish IT-40, the new IN E-Pay system, and all of the electronic filing methods to the taxpayers.

In addition, the Media Relations and Publications Office produced numerous press releases and conducted over 300 television, radio and newspaper interviews during FY01. It also conducted a Media Day at its Returns Processing Center on tax deadline day, Monday, April 16, 2001, opening up the Department's state-of-the-art processing facilities to all Indianapolis area broadcast and print media.

### **Publications**

This office published *The Indiana Tax Dispatch*, a quarterly newsletter for tax practitioners. The Dispatch contains important news and information to professionals of changes, developments and advances in Indiana tax laws and the Department's procedures and outreach efforts. In addition, information about other related tax organizations and conferences/seminars is included.

This office also edits the Department's annual report, *The Indiana Charity Gaming Newsletter*, a biannual newsletter for not-for-profit organizations either conducting or interested in conducting charity gaming events; helps to edit its Motor Carrier Services Division's quarterly *Trucking Tips* newsletter; and edits *Visions*, an internal newsletter for employees. All external publications are free to the public.

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## **RETURNS PROCESSING CENTER**

### **Continued Use of the Two-Dimensional Bar Code Program**

The Indiana Department of Revenue continues the use of two-dimensional bar code in the processing of Indiana Individual Income Tax Returns.

Indiana receives almost three million Indiana individual tax forms each year, almost half of which are received in the two weeks surrounding April 15<sup>th</sup>. In order to process this huge amount of tax filing in such a short amount of time, the Department has expanded the two-dimensional bar code program to include four individual income tax forms (IT-40, IT-40EZ, IT-40PNR and IT-40RNR).

In addition, the Department has worked with more software companies, who are now processing Indiana income tax returns with the two-dimensional bar code on the paper returns. During this past filing season, there were eight software companies that provided this service and the Department received over 515,000 Indiana income tax returns through the bar code program. Compared to the previous tax year, there were four software companies involved in the processing of approximately 195,000 Indiana income tax returns through the bar code program. This is an increase in two-dimensional bar code filing of one hundred sixty four percent.

Not only is the two-dimensional bar code process the fastest method of processing a paper tax form, it also has the benefit of having fewer errors than a standard paper filed return. The error rate for a two-dimensional bar code return is about six percent, whereas the error rate for a standard paper return averages around sixteen percent.

### ***Adding Corporate tax forms to the program***

In addition to the number of individual income tax returns filed with the two-dimensional bar code, the Department has also worked with five software companies in order to process Corporate Income Tax Returns through the program (Indiana forms IT-20 and IT-20SC).

During the first year, the Department has processed approximately 2,200 Corporate tax returns through the two-dimensional bar code program.

### ***Looking to the future with the Two-Dimensional Bar Code Process***

The Indiana Department of Revenue is also working on implementing other tax types and tax forms into the two-dimensional bar code process, such as the International Fuel Tax Agreement (IFTA) form, the Indiana Partnership and S-Corporation tax forms and the Indiana Fiduciary tax form.

### ***Indiana Department of Revenue's Electronically Filed Individual Income Tax Returns***

It is the goal of the Indiana Department of Revenue to process as many individual income tax returns through alternative means as possible. By "Alternative Means" of filing, the Department is referring to any tax return that can be filed without the use of paper forms that need to be pre-edited and key punched. Electronically filed tax returns are the fastest and most accurate alternative means of filing an individual income tax return.

### ***Federal/State Electronic Filing Programs***

Indiana has been involved in the Federal/State E-File Program since 1992, a program that has continuously increased the number of filers from year to year.

As with any Federal/State program, both the Federal and Indiana tax returns are filed together and first sent to the IRS. Once the IRS has accepted the filing of the Federal return, they will allow Indiana to retrieve the state return for processing. If the Federal return is valid, the Department receives the Indiana return in only two days from the time the returns were electronically transmitted.

Of the three million Indiana tax returns received, over 643,000 were returns that were electronically filed through tax practitioners who are approved Electronic Filing Originators. Between the various software validations and the fact that the practitioners are providing the keypunch process of the tax return, the error rate of an electronically filed return is less than one percent (.9%). In addition to the accuracy of the filing, the practitioner is provided an acknowledgment of the filing once it is accepted by the department.

Indiana is also involved in two other Federal/State Electronic filing programs, the Federal/State TeleFile Program and the Federal/State On-Line Filing Program.

The TeleFile Program allows qualified Indiana taxpayers to file their Federal and Indiana returns via the telephone. If the taxpayer receives a Federal and Indiana TeleFile Tax Booklet, they may file both returns with one toll free telephone call. This program is the only Federal/State Program to show a decrease in the number of filers from the previous year.

Finally, the Federal/State On-Line Filing Program was introduced for those taxpayers who like to complete their own tax forms and want to file both their Federal and Indiana tax returns from their home computer. This program uses practically the same software (from the various software vendors) that is used by tax practitioners throughout the U.S.

All of these programs are accurate, fast and are acknowledged once received and accepted by the Indiana Department of Revenue. Thus, they are the best Alternative Means to have a return filed with the department.

### ***Looking to the Future***

Currently, as with all Federal/State filing programs, a state return cannot be filed unless there is a Federal tax return being filed with it. The Indiana Department of Revenue, along with 32 other states, is in the process of working with the IRS to implement the possibility of processing a state only return when a taxpayer cannot file their federal tax return electronically. The IRS feels that this may be possible for the 2003 filing season.

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## **REVENUE PROCESSING SYSTEM (RPS)**

As of January 2001, the final phase of the fully integrated tax processing system was rolled out. In March 2001, a predictive Dialer was added to the system, which will enhance our pursuit efforts.

This new system also allowed Indiana to participate in the Federal Refund Offset program. This program allows states to offset Federal refunds to pay tax liabilities owed.

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## **TAXPAYER SERVICES DIVISION**

The Taxpayer Services Division of the Indiana Department of Revenue is responsible for providing customer service to Indiana taxpayers having questions and needing assistance to resolve various types of individual and business tax problems. Its sections include: Telephone Section, Correspondence Section, Taxpayer Walk-In Section, and Research and Support Section. During the past

fiscal year, the division handled 245,538 incoming telephone calls. Incoming telephone calls are managed by an automated call distribution system. The division assisted 13,390 taxpayers who came to the Walk-In Assistance Area in our Central Office location. The division also answered 52,623 pieces of incoming written correspondence received from taxpayers and over 13,496 e-mail inquiries.

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## **MOTOR CARRIER SERVICES DIVISION**

The Motor Carrier Services Division implemented the first piece of an Oracle object relational database. The new system elements are being phased in and replacing legacy systems in a non-obtrusive manner. The program to provide proportional fuel use tax credits is in place. Next, our Business Authorization System was implemented and is now operational. Another element, commercial vehicle registrations and plating via the International Registration Plan (IRP), is in place and being tested.

The newly legislated Commercial Vehicle Excise Tax was incorporated into our new system development and is also operational, providing a tax replacement to local municipalities for former personal property taxes.

We also implemented staggered registration periods for IRP carriers, allowing the annual work flow to be spread out over the year rather than during one month a year. This will improve both operational services and our levels of customer service.

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## **TAXPAYER ADVOCATE OFFICE/PUBLIC AFFAIRS**

For the first time ever, the Indiana Department of Revenue printed its IT-40 Individual Income Tax Booklet in Spanish for Indiana's rapidly-growing Hispanic and Latino population. The Public Affairs and Taxpayer Advocate Office rose to the challenge of a sharply increased need for Spanish translations -- of tax requirements, returns and new business inquiries.

### ***Taxpayer Advocate Office***

It is the responsibility of the Taxpayer Advocate Office to ensure all Indiana taxpayers are treated fairly and to resolve recurring problems and complaints in which taxpayers' previous attempts at resolution were unsuccessful. The Taxpayer Advocate Office acts as a last resort within the Indiana Department of Revenue for taxpayers who need assistance. If specific areas of recurring internal problems or stance on particular tax issues are identified, recommendations are made for internal remedial procedures.

Recommendations for changes in correspondence and billing procedures often originate from the Taxpayer Advocate Office, with emphasis on the taxpayers' needs and keeping the taxpayer viewpoint in mind. The Taxpayer Advocate Office assisted 34,578 taxpayers during the 2000 tax year with its numerous programs.

## **TAXPAYER BILL OF RIGHTS** **Public Law 332-1989** **(Special Session)**

### **Indiana Taxpayer Rights and Responsibilities**

All Indiana taxpayers have certain rights and responsibilities that correspond to the Indiana tax laws. The Taxpayer Bill of Rights sets forth these rights and responsibilities for Indiana Taxpayers:

- I      Quality taxpayer service
- II     Taxpayer Advocate to help you in the preservation of your rights
- III    Taxpayer education and information
- IV    A fair collection process
- V     Appointed hearing time and representation
- VI    Demand Notices
- VII   Warrants for collection of tax
- VIII   Judgement liens against property
- IX    Annual Public Hearing and Department Report
- X     Taxpayer responsibilities

The Taxpayer Advocate Office, formerly known as the Problem Resolution Program (PRP), was established in January, 1990. Indiana Code (IC) 6-3-8.1-11-3 provides for a Taxpayer Advocate. The Taxpayer Advocate reports to the Department's Legal Counsel.

Requests may be submitted in writing to: Indiana Department of Revenue, Taxpayer Advocate Office, P.O. Box 6155, Indianapolis, Indiana 46206-6155, or by e-mail to: [TaxAdvocate@dor.state.in.us](mailto:TaxAdvocate@dor.state.in.us).

### ***Public Affairs***

FY01 was a year of increased outreach to the community with a message of voluntary compliance whenever possible. Staff members worked with many different agencies, providing one-on-one assistance with tax questions, as well as with preparation of tax returns. Feedback from scheduled "focus group" meetings has proven invaluable when it comes to form revision and instructions.

This Office is responsible for the integrating of the legislative changes each year into the over 300 forms that the

Department updates and publishes. The goal always is to make them user-friendly and as simple as possible for the taxpayer to complete. Public Affairs also works closely with software developers to ensure the information gathered on state tax forms reflects the appropriate tax figures and mandatory information needed for processing them.

This area also holds an Annual Tax Conference for Indiana Department of Revenue staff members, emphasizing tax and legislative updates, as well as procedural changes.

# 2001 LEGISLATIVE SUMMARY -- NEW AND AMENDED STATUTES

*Regular Session*  
*2001 Indiana General Assembly*  
*Convened: November 21, 2000*  
*Meeting Days: 55*  
*Reconvened: January 8, 2001*  
*Adjourned: April 29, 2001*

## CODE CITES AFFECTED

### IC 6-2.1: GROSS INCOME TAX

IC 6-2.1-3-16, HB 1948, SECTION 1 [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)] Provides that the amount received from the sale of an electric utility of an interest in an electric generating facility is exempt from the gross income tax to the extent of any mortgage, security interest or similar encumbrance that exists on the interest in the electric generating facility at the time of the sale, lease, or transfer.

IC 6-2.1-3-16.5, HB 1948, SECTION 2 [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)] Provides a gross income tax exemption for amounts received under a "qualified investment" that is acquired for the purpose of enabling a lessee to pay the basic rent and exercise the price of a purchase option under the lease of an interest in an electric generating facility that is subject to "safe harbor" sales leaseback provisions of the Internal Revenue Code.

### IC 6-2.5: SALES AND USE TAX

IC 6-2.5-6-1, HB 1195, SECTION 2 [EFFECTIVE JANUARY 1, 2002] Eliminates quarterly filing of a sales tax return and requires monthly filing if the average monthly liability exceeds \$25. Deletes the provision that allowed a taxpayer that remitted through electronic funds transfer to report quarterly instead of monthly.

IC 6-2.5-6-14, HB 1585, SECTION 13 [EFFECTIVE JULY 1, 2001] Changes the name of the Alcoholic Beverage Commission to the Alcohol and Tobacco Commission.

IC 6-2.5-6-14, HB 1813, SECTION 10 [EFFECTIVE JULY 1, 2001] Changes the name of the Division of Mental Health to Division of Mental Health and Addiction for purposes of receiving the list of retailers selling cigarettes.

IC 6-2.5-11, SB 269, SECTION 1 [EFFECTIVE JULY 1, 2001] Enacts the simplified sales and use tax administration act. Permits the Department to enter into the agreement with other states to simplify and modernize sales and use tax administration to substantially reduce the burden of tax compliance for sellers and for all types

of commerce. Authorizes the Department to act jointly with other states that are members of the agreement to establish standards for certification of certified service providers and certified automated systems, and to establish performance standards for multistate sellers. Specifies certain requirements that must be included in the agreement before the State may enter into the agreement. Includes certain provisions concerning certified service providers (agents certified jointly by the states to perform all of the seller's sales tax functions). Provides that no provision of the agreement amends or invalidates any provision of Indiana law.

### IC 6-3: ADJUSTED GROSS INCOME TAX

IC 6-3-1-11, HB 1479, SECTION 1 [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)] Amends references to the Internal Revenue Code in the Indiana Code to include the Internal Revenue Code in effect on January 1, 2001.

IC 6-3-2-8, HB 2130, SECTION 12 [EFFECTIVE JANUARY 1, 2002] Provides that a person who resides in an enterprise zone and is an employee of a nonprofit entity, local or state or federal government is eligible for the enterprise zone employee wage deduction.

IC 6-3-2-9, SB 71, SECTION 1 [EFFECTIVE JANUARY 1, 2002] Provides that an individual over the age of 65 will still be eligible for the disability income tax deduction.

IC 6-3-2-19, HB 2108, SECTION 1 [EFFECTIVE JANUARY 1, 2002] Provides that distributions from an Indiana family college savings account used to pay qualified higher education expenses are exempt from the adjusted gross income tax.

IC 6-3-7-5, HB 1553, SECTION 1 [EFFECTIVE JULY 1, 2001] Provides that an independent contractor must file a statement with the Department showing documentation of independent contractor status, and obtain a certificate of exemption. The independent contractor must file with the Department information containing the contractor's name, federal identification number or social security number. The contractor is required to file annually with the Department documentation in support of independent contractor status before being granted a



certificate of exemption. The independent contractor shall pay a filing fee of \$5 to the Department to be deposited in the independent contractor information account. Money in the account is annually appropriated to the Department for carrying out these provisions. The Department is required to provide the certificate of exemption within 7 days after verifying the accuracy of the supporting documentation.

### **IC 6-3.1: TAX CREDITS**

IC 6-3.1-6-1 & IC 6-3.1-6-6, HB 1578, SECTIONS 5 & 6 [EFFECTIVE JANUARY 1, 2002] Defines a taxpayer as a pass-through entity for purposes of the prison investment credit, and provides that members of a pass-through entity are entitled to their distributive share of the prison investment credit that is available.

IC 6-3.1-10-8, HB 2130, SECTION 13 [EFFECTIVE JANUARY 1, 2002] Provides that high technology business operations are eligible for a 5% enterprise zone investment cost credit.

IC 6-3.1-13.5, HB 1001, SECTION 177 [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)] Provides a capital investment tax credit for Shelby County. In order to be eligible for the credit, the total project cost must exceed \$75,000,000. The amount of the credit is equal to 14% of the qualified investment. The taxpayer may claim the credit if the average wage paid by the taxpayer is higher than the average wage in the county, or the taxpayer certifies to the Department of Commerce that the average wage paid will exceed the average wage in the county. The total value of the credit shall be divided equally over 7 years beginning in the year in which the credit is granted. The credit must be claimed on the taxpayer's annual return. Pass-through entities are eligible for the credit.

IC 6-3.1-18-10, HB 2130, SECTION 14 [EFFECTIVE JULY 1, 2001] Provides that the maximum tax credit allowed in a fiscal year for the individual development account is \$200,000 instead of \$500,000.

IC 6-3.1-20, HB 1902, SECTION 5 [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)] Provides an income tax credit for property taxes paid on homesteads in Lake County. A taxpayer is entitled to the credit if the taxpayer's earned income is less than \$18,600, and the individual pays property taxes on a homestead that the taxpayer is buying or owns, and is located in Lake County. For a taxpayer with earned income of less than \$18,000, the credit is equal to the lesser of \$300 or the amount of property taxes paid. If the individual's income is between \$18,000 and \$18,600, the credit is the lesser of: \$18,600 minus the taxpayer's earned income multi-

plied by 50%. A taxpayer that claims the \$2,500 deduction provided in IC 6-3-1-3.5(a)(17), is not eligible for this credit. If the credit exceeds the taxpayer's liability, the credit is refundable. The Department is required to calculate the total amount of credits taken in a tax year before July 1 of the following year. One-half of the amounts shall be deducted during the year from the riverboat admissions payable to the county; one-sixth shall be deducted from the riverboat admissions tax that would have been distributed to the three largest cities in the county.

IC 6-3.1-21-10, HB 1001, SECTION 152 [EFFECTIVE JULY 1, 2001] Extends the earned income tax credit until December 31, 2003.

IC 6-3.1-22, HB 1578, SECTION 7 [EFFECTIVE JANUARY 1, 2002] Provides an adjusted gross income tax credit for the repair and rehabilitation of residential property that will be used as a primary residence by the taxpayer, and is at least 50 years old. The credit is equal to 20% of the qualified expenditure, and the expenditure must exceed \$10,000. The amount of the credit can be carried forward for 15 years. There is no refund or carry-back of the credit. The maximum credit in any state fiscal year may not exceed \$250,000.

IC 6-3.1-22.2, HB 1001, SECTION 149 [EFFECTIVE JANUARY 1, 2001 RETROACTIVE] Provides a tax credit for re-refined lubrication oil facilities. Provides that pass-through entities are eligible for the credit. A taxpayer is entitled to a credit for the amount of real and personal property taxes paid on the facility. The credit is initially 100% for 2001, and declines to 20% in 2005. A taxpayer can carry forward unused credits for a period of 2 years. The Department of Commerce is required to approve the credit.

IC 6-3.1-23, SB 273, SECTION 1 [EFFECTIVE JANUARY 1, 2002] Creates a voluntary remediation tax credit for qualified investments involving the remediation of a brownfield. The credit is equal to the lesser of \$100,000, or 10% of the qualified investment. A legislative body is required to approve the credit. The taxpayer claims the credit on the taxpayer's state tax return. The taxpayer must submit certification of the credit to the Department. The Department shall report the total credits granted in each fiscal year to the Indiana Development Finance Authority. The authority shall transfer to the state general fund an amount equal to the total credits granted from the subaccount of the environmental remediation revolving loan fund. A tax credit may not be allowed for a taxable year that begins after December 31, 2003.

IC 6-3.1-23.8, HB 1001, SECTION 122 [EFFECTIVE JANUARY 1, 2003] Provides an income tax credit for property taxes paid on inventory. Pass-through entities

are eligible for the credit. The credit is available for the lesser of the assessed value of the property, or an assessed value of \$37,500. A utility company is not eligible to claim the credit. If the amount of the credit exceeds the taxpayer's tax liability, the excess can be carried over to the following taxable years. The taxpayer must claim the credit on the taxpayer's state tax return, and submit proof to the Department as to the amount of property taxes paid.

#### **IC 6-3.5-1.1: COUNTY ADJUSTED GROSS INCOME TAX (CAGIT)**

IC 6-3.5-1.1-1.3, SB 464, SECTION 1 [EFFECTIVE JULY 1, 2001] Provides that a resolution approving a distribution of money to a solid waste management district expires on a date specified in the resolution, or remains in effect until the county fiscal body revokes or rescinds the resolution.

IC 6-3.5-1.1-2.5, HB 1503, SECTION 3 [EFFECTIVE JULY 1, 2001] Provides that Jackson County may continue to impose an additional county adjusted gross income tax for 8 years (instead of 4 years) to fund the operating costs of a jail.

IC 6-3.5-1.1-2.7, HB 1710, SECTION 2 [EFFECTIVE UPON PASSAGE] Provides that Wayne County may adopt an ordinance to impose additional CAGIT to finance, construct, and equip a county jail and related facilities. The additional rate may be imposed at 0.15%, 0.20%, 0.25%. The tax may only be imposed until all the financing costs are paid, and the term of the bonds may not exceed 20 years. Provides that any excess revenue available after all the bonds are paid off shall be transferred to the county highway fund. Exempts the additional tax revenue from the formula for certified distribution of CAGIT revenue.

IC 6-3.5-1.1-3.5, HB 1503, SECTION 4 [EFFECTIVE JULY 1, 2001] Provides that Pulaski County may continue to impose an additional county adjusted gross income tax for 8 years (instead of 4 years) to fund the operating costs of a jail.

IC 6-3.5-1.1-23, HB 1710, SECTION 5 [EFFECTIVE UPON PASSAGE] Prohibits the General Assembly from amending or repealing the Wayne County CAGIT law as long as there are bonds outstanding.

#### **IC 6-3.5-6: COUNTY OPTION INCOME TAX (COIT)**

IC 6-3.5-6-1.3, SB 464, SECTION 2, [EFFECTIVE JULY 1, 2001] Provides that a resolution to approving a distribution of money to a solid waste management district expires on a date specified in the ordinance, or remains

in effect until the county fiscal body revokes or rescinds the resolution.

#### **IC 6-3.5-7: COUNTY ECONOMIC DEVELOPMENT INCOME TAX (CEDIT)**

IC 6-3.5-7-5, HB 1195, SECTION 3 AND HB 1001, SECTION 179 [EFFECTIVE UPON PASSAGE] Permits Randolph County to impose an additional 0.25% CEDIT rate for purposes of financing, constructing, and equipping the county courthouse, and renovating the former county hospital for additional office space. Provides that the maximum CEDIT and CAGIT combined rates may not exceed 1.5%.

IC 6-3.5-7-5, HB 1710, SECTION 6 [EFFECTIVE UPON PASSAGE] Provides that the maximum CAGIT and CEDIT rate for Wayne County is 1.5%.

IC 6-3.5-7-22.5, HB 1195, SECTION 4 AND HB 1001, SECTION 180 [EFFECTIVE UPON PASSAGE] Permits Randolph County to impose an ordinance to adopt an additional CEDIT rate.

#### **IC 6-3.5-8: MUNICIPAL OPTION INCOME TAX (MOIT)**

IC 6-3.5-8, HB 1902, SECTION 6, [EFFECTIVE UPON PASSAGE] Creates the municipal option income tax (MOIT) in Lake County. The tax is imposed on the income of residents of the municipality and nonresidents that are not subject to any other local option income tax. The tax will take effect on September 1, 2001, if the fiscal body adopts an ordinance before July 1, 2001. If the ordinance is not adopted in the first year, it will take effect on July 1 of the year in which the ordinance is adopted. A municipality may not impose a municipal option income tax for a calendar year that begins after December 31, 2005. The maximum rate for the MOIT is 1% for residents and one half of the resident rate for nonresidents. In May 2003, the Department shall determine the amount of tax collected for each municipality from September 1, 2001 through June 30, 2002. The Department shall notify the municipality of the amount and the municipality shall within 30 days transfer the amount determined from the municipality's general fund to the county family and children's fund of the county. In subsequent years the Department during the month of May shall notify the municipalities of the amount of tax collected during the preceding period of July 1 two years earlier until June 30 of the prior year. The municipality will make the transfer to the county family and children's fund within 30 days of the notification of the Department. The fiscal body of a municipality may increase or decrease the rate by adopting an ordinance after January 1 but before May 1 to take effect July 1. The Department shall make a certified distribution on or before June 16 of



each year. The distribution is an estimate of the amount of tax revenue generated during the period beginning July 1 of the immediately preceding calendar year and ending on June 30 of the immediate succeeding calendar year. The distribution will be made in 12 equal installments beginning January 1 after the certification is made. Requires all employers to withhold the tax and report annually to the Department.

#### **IC 6-4.1: INHERITANCE TAX**

IC 6-4.1-3-12.5, SB 190, SECTION 38 [EFFECTIVE JULY 1, 2001] Repeals the provision providing for an affidavit that states that no inheritance tax is due.

IC 6-4.1-4-0.5, SB 190, SECTION 1 [EFFECTIVE JULY 1, 2001] Reinstates the language that the Department is required to prescribe the affidavit form that is to be used to state that there is no inheritance tax due.

IC 6-4.1-4-1, SB 190, SECTION 2 [EFFECTIVE JULY 1, 2001] Requires the inheritance tax return to be filed with the appropriate probate court within 9 months after the decedent's death. Current law allows 12 months.

IC 6-4.1-9-1, SB 190, SECTION 6 [EFFECTIVE JULY 1, 2001] Provides that the inheritance tax is due 12 months after a decedent's death. Current law provides that the tax is due 18 months after the date of death.

IC 6-4.1-9-2, SB 190, SECTION 7 [EFFECTIVE JULY 1, 2001] Provides that if the tax is paid within 9 months of the decedent's death, the person making the payment is entitled to a 5% reduction in the amount of tax due.

IC 6-4.1-11-3, SB 190, SECTION 8 [EFFECTIVE JULY 1, 2001] Provides that the estate tax is due within 12 months of the decedent's date of death. Current law provides that the tax is due within 18 months.

IC 6-4.1-11.5-9, SB 190, SECTION 9 [EFFECTIVE JULY 1, 2001] Provides that the generation skipping tax is due within 12 months after the date of death of the person whose death resulted in the generation-skipping transfer. Current law provides that the tax is due within 18 months.

#### **IC 6-5.5: FINANCIAL INSTITUTIONS TAX**

IC 6-5.5-1-18, HB 1578, SECTION 8 [EFFECTIVE JANUARY 1, 2002] Provides that a unitary business only includes an entity that transacts business in Indiana.

IC 6-5.5-6-3, HB 1578, SECTION 9 [EFFECTIVE JULY 1, 2002] Changes the estimated payment dates for the financial institutions tax to correspond with the payment dates for other corporate taxpayers.

#### **IC 6-6-1.1: GASOLINE TAX**

IC 6-6-1.1-606.5, HB 1578, SECTION 10 [EFFECTIVE JANUARY 1, 2002] Eliminate the requirement for a transporter of gasoline with a capacity of more than 850 gallons to display a transporter permit.

#### **IC 6-6-4.1: MOTOR CARRIER FUEL TAX**

IC 6-6-4.1-13, HB 1792, SECTION 1 [EFFECTIVE JULY 1, 2001] Provides that a motor carrier may obtain an International Fuel Tax Agreement repair and maintenance permit to come into Indiana to repair vehicles owned by the carrier. The annual fee is \$40 and is in lieu of the motor carrier fuel tax. This section also provides for an International Registration Plan repair and maintenance permit to permit a carrier to come into Indiana to repair and maintain vehicles owned by the carrier. The \$40 annual fee is in lieu of apportioned or temporary IRP fees.

IC 6-6-4.1-14, HB 1578, SECTION 11 [EFFECTIVE JULY 1, 2001] Provides that the Commissioner or the Reciprocity Commission may enter into the International Fuel Tax Agreement or other reciprocal agreements with other jurisdictions.

IC 6-6-4.1-14.5, HB 1578, SECTION 12 [EFFECTIVE JULY 1, 2002] Spells out the respective authority of the General Assembly and the International Fuel Tax Agreement.

IC 6-6-4.1-16, HB 1578, SECTION 13 [EFFECTIVE JULY 1, 2001] Provides that the IFTA agreement can provide for the sharing of information with other jurisdictions.

IC 6-6-4.1-22; IC 6-6-4.1-23; IC 6-6-4.1-24; IC 6-6-4.1-25; & IC 6-6-4.1-26, HB 1578, SECTIONS 14, 15, 16, 17, & 18 [EFFECTIVE JULY 1, 2001] Changes the reference from the Base State Fuel Tax Agreement to the International Fuel Tax Agreement.

#### **IC 6-6-5.5: COMMERCIAL VEHICLE EXCISE TAX**

IC 6-6-5.5-8, HB 1578, SECTION 19 [EFFECTIVE JULY 1, 2001]

Provides a credit for the commercial vehicle excise tax if the owner sells the vehicle and purchases a new vehicle, the vehicle is destroyed and replaced, or the vehicle is registered in error at a greater weight than required. The credit applies to the tax due in the same registrant's year.

#### **IC 6-7: CIGARETTE TAX**

IC 6-7-1-32.1, HB 1813, SECTION 11 [EFFECTIVE JULY 1, 2001] Provides that cigarette tax money that is in the

mental health centers fund is appropriated to the Division of Mental Health and Addiction.

### **IC 6-8.1: TAX ADMINISTRATION**

IC 6-8.1-1-1, HB 1902, SECTION 7 [EFFECTIVE UPON PASSAGE] Makes the Lake County municipal option income tax a listed tax.

IC 6-8.1-7-1, HB 1585, SECTION 14 [EFFECTIVE JULY 1, 2001] Changes the name of the Alcoholic Beverage Commission to the Alcohol and Tobacco Commission.

IC 6-8.1-7-1, HB 1813, SECTION 12 [EFFECTIVE JULY 1, 2001] Changes the name of the Division of Mental Health to the Division of Mental Health and Addiction.

IC 6-8.1-3-14, HB 1578, SECTION 20 [EFFECTIVE JULY 1, 2001] Authorizes the Department to enter into the International Fuel Tax Agreement and provides that if there is a conflict between the agreement and rules of the Department, the provisions of the agreement prevail.

IC 6-8.1-5-3, HB 1578, SECTION 21 [EFFECTIVE JULY 1, 2001] Provides that if the Department has sent notice of a proposed assessment, and it is returned because the taxpayer has moved and the Department is unable to determine the new address, the Department may immediately make an assessment for the taxes owing and demand immediate payment without issuing the 10 day demand notice.

IC 6-8.1-8-2; IC 6-8.1-8-3; IC 6-8.1-8-4; IC 6-8.1-8-5 & IC 6-8.1-8-8, HB 1578, SECTIONS 22, 23, 24, 25 & 26 [EFFECTIVE JULY 1, 2001] Replaces the word "lien" with "judgment" throughout IC 6-8.1-8 to clarify the collection process and when a lien is valid.

IC 6-8.1-8-8.5, HB 1578, SECTION 27 [EFFECTIVE JULY 1, 2001] Provides that a judgment arising from a tax warrant is enforceable in the same manner as any judgment issued by a court of general jurisdiction. Also permits the Department to issue proceedings supplementary to execution in any court of general jurisdiction in a county in which a judgment arising from a tax warrant has been recorded.

### **IC 6-9: INNKEEPERS' TAXES; OTHER LOCAL TAXES**

IC 6-9-11-3, HB 1608, SECTION 1 [EFFECTIVE UPON PASSAGE] Permits the Vigo County Convention and Visitor Commission to issue bonds for the construction and equipping of a sports and recreational facility. Also permits the Commission to enter into leases for the construction and equipping of a sports and recreational facility. Authorizes the Commission to exercise the power of eminent domain.

IC 6-9-11-3.5, HB 1608, SECTION 2 [EFFECTIVE UPON PASSAGE] Authorizes the Vigo County Convention and Visitor Commission to enter into agreements to pledge funds for the payment of obligations issued to construct and equip a sports and recreation facility.

IC 6-9-11-3.7, HB 1608, SECTION 3 [EFFECTIVE UPON PASSAGE] Authorizes the Vigo County Convention and Tourism Commission to issue bonds or enter into leases to pay the costs incurred in construction and equipping a sports and recreation facility. Establishes the parameters and rules concerning the terms of the financing or leasing.

IC 6-9-11-3.9, HB 1608, SECTION 4 [EFFECTIVE UPON PASSAGE] Provides that with respect to bonds and leases entered into by Vigo County, the General Assembly and the Convention and Visitor Commission covenant that this law will not be repealed or amended as long as there are bonds outstanding or payments are due under any lease.

IC 6-9-11-4.5, HB 1068, SECTION 5 [EFFECTIVE UPON PASSAGE] Provides that the financing and construction of a sports and recreation facility in Vigo County serves a public purpose and is a benefit to the general welfare of the county.

IC 6-9-11-9, HB 1068, SECTION 6 [EFFECTIVE UPON PASSAGE] Provides that the General Assembly finds that Vigo County possesses a unique opportunity to promote and encourage conventions in the county.

### **IC 8 AND IC 9: MOTOR CARRIER REGULATION**

IC 8-2.1-23-2, HB 1578, SECTION 28 [EFFECTIVE JULY 1, 2001] Requires that civil penalties imposed for violations of the automated vehicle identifier statute will be deposited in the motor carrier regulation fund. Provides that the annual fee and trip permit fee for the automated vehicle identifier will be deposited in the motor carrier regulation fund.

IC 9-13-2-6.5, HB 1578, SECTION 29 [EFFECTIVE JULY 1, 2001] Provides that an automated vehicle identifier is an electronic tracking device for use in conjunction with special weight permits for extra heavy-duty highways.

IC 9-18-2-47, HB 1792, SECTION 5 [EFFECTIVE JULY 1, 2001] Provides that license plates issued to a motor carrier are valid for 5 years.

IC 9-18-6-2, HB 1792, SECTION 6 [EFFECTIVE JULY 1, 2001] Requires a person who loses a license plate for a commercial motor vehicle to notify the law enforcement agency that has jurisdiction where the loss occurred, and the Bureau of Motor Vehicles.

IC 9-20-5-7, HB 1578, SECTION 30 [EFFECTIVE JULY 1, 2001] Requires an owner or operator of a vehicle operating on an extra heavy duty highway to register with the Department annually, pay a registration fee, and install an automated vehicle identifier in each vehicle operating with a special weight permit.

IC 9-20-18-14.5, HB 1578, SECTION 31 [EFFECTIVE JULY 1, 2001] Provides a civil penalty of up to \$500 for any violation of the provisions requiring the automated vehicle identifier system to be installed.

IC 9-24-6-6, HB 1578, SECTION 32 [EFFECTIVE JULY 1, 2001] Adds two violations to the definition of serious traffic violations if committed by a person with a commercial driver's license while driving a commercial motor vehicle. The violations concern safety procedures at railroad crossings and are intended to comply with federal law and regulations.

IC 9-24-6-7, HB 1578, SECTION 33 [EFFECTIVE JULY 1, 2001] Provides the penalties and the drivers license suspension for violations concerning railroad crossings in IC 9-24-6-6.

IC 9-29-6-1, HB 1578, SECTION 34 [EFFECTIVE JULY 1, 2001] Provides that the annual registration fee for an automated vehicle identifier is \$25. The additional permit fee imposed may not exceed \$1 on each trip.

IC 9-29-6-1, HB 1821, SECTION 3, [EFFECTIVE JULY 1, 2001] Provides a special weight permit fee of \$41.50 for vehicles with a total gross weight that exceeds 80,000 pounds and is less than 134,000 pounds.

### **IC 36: LOCAL GOVERNMENT FINANCES**

IC 36-1-10-1, HB 1068, SECTION 7 [EFFECTIVE UPON PASSAGE] Provides that debt service and lease financing for the Vigo County sports and recreation facility are subject to the provisions of local government statutes concerning lease financing.

IC 36-7-13-10, SB 457, SECTION 5 [EFFECTIVE UPON PASSAGE] Permits a municipality located in Allen and St. Joseph Counties to adopt an ordinance to create a community revitalization enhancement district (CRED).

IC 36-7-13-10.5, SB 457, SECTION 6 [EFFECTIVE UPON PASSAGE] Permits any county or municipality within a county to designate a community revitalization enhancement district (CRED) if certain conditions are met. The criteria are that the county's annual rate of unemployment must have been higher than the statewide average of unemployment during 3 of the last 5 years. The median income of the county has declined over the

last 10 years, or has grown at a lower rate than the average annual statewide growth of median income over 3 of the last 5 years. The population of the county has declined over the last 10 years. The area to be designated as a district must contain a vacant building that has at least 50,000 square feet of usable floor space. There must be fewer people employed in the district than there were 10 years ago, and there must be significant obstacles to redevelopment. The legislative body adopting the ordinance shall designate the duration of the district, which may not exceed 15 years. The legislative body must submit a copy of the ordinance to the state Budget Agency for approval.

IC 36-7-13-12, SB 457, SECTION 12 [EFFECTIVE UPON PASSAGE] Provides that a community revitalization district in South Bend must contain a building with at least 1,500,000 square feet of usable interior floor space. There must be fewer than 18,000 people employed in the area, and there must be significant obstacles to redevelopment of the area such as obsolete buildings, aging infrastructure, utility location requirements, or environmental contamination. The municipality must have pledged \$100,000 for purposes of addressing the redevelopment obstacles. Provides that such a district in Fort Wayne must contain a building with at least 800,000 square feet, having leasable floor space (at least 50% of which is vacant), and it must have significant obstacles to redevelopment. There must be at least 400 fewer persons employed in the area than were employed 15 years ago. The area has been designated as an economic development target area, the area must have pledged at least \$250,000 for purposes of addressing the redevelopment obstacles.

IC 36-7-26-1, HB 1195, SECTION 6 AND HB 1001, SECTION 200 [EFFECTIVE JULY 1, 2001] Permits the cities of South Bend, Fort Wayne, and Evansville to establish economic development project districts.

IC 36-7-26-14, HB 1195, SECTION 7 AND HB 1001, SECTION 201 [EFFECTIVE JULY 1, 2001] Provides that the South Bend and Fort Wayne districts must contain a commercial retail facility with at least 500,000 square feet. Provides that the Evansville district may not contain any territory outside the boundaries of a redevelopment area established within the central business district of the city before 1985.

IC 36-7-26-23, HB 1195, SECTION 8 AND HB 1001 SECTION 202 [EFFECTIVE JULY 1, 2001] Provides that Evansville, Fort Wayne and South Bend may not receive more than 50% of the incremental sales tax amount in each year. Provides that each city may not receive a total of more than \$1,000,000 of increment financing during the time the district exists.

IC 36-7-26-24, HB 1195, SECTION 9 AND HB 1001, SECTION 203 [EFFECTIVE JULY 1, 2001] Provides that distributions of money from the South Bend district may only be used for road, interchange and right of way improvements for real property acquisition costs. Distributions to the Fort Wayne district may be used for roads and improvements and for the demolition of commercial property and any related expenses incurred before the demolition of the commercial property. Provides that distributions to the Evansville district may be used for acquisition, demolition and renovation of property and site preparation and financing.

IC 36-7-31.3-9, SB 457, SECTION 13 [EFFECTIVE JULY 1, 2001] Provides that a professional sports development area may be established in a second class city if it is established before July 1, 2002.

### **OTHER CODE SECTIONS**

IC 4-32-9-21, HB 1578, SECTION 1 [EFFECTIVE JULY 1, 2001] If a qualified organization under the charity gaming statute is affiliated with a nationally recognized charitable organization that serves a majority of the counties in Indiana, and has been in existence for at least 25 years, the principal office shall be deemed to be present in every county served by the organization.

IC 12-17-2-33.1, HB 1841, SECTION 3 [EFFECTIVE JULY 1, 2001] Eliminates the requirement that the Family and Social Services Agency enter into an agreement with the Department to do cross checks with financial institutions to locate delinquent parents for child support purposes.

### **NON-CODE SECTIONS**

HB 1479, SECTION 2 [EFFECTIVE JANUARY 1, 2000, (RETROACTIVE)] Amends the reference to the Internal Revenue Code to make the Indiana Code consistent with the Internal Revenue Code for tax year 2000.

HB 1195, SECTION 10 AND HB 1001, SECTION 181 [EFFECTIVE UPON PASSAGE] Eliminates the March 31 deadline for Randolph County to adopt an ordinance to impose an additional CEDIT rate.

HB 1710, SECTION 7 [EFFECTIVE UPON PASSAGE] Provides that Wayne County must decide by September 20, 2001 whether to adopt an ordinance to impose additional CAGIT for the construction of a county jail.



## SIGNIFICANT COURT CASES



### [Carroll County Rural Electric Membership Corporation v. Indiana Department of State Revenue](#) 733 N.E.2d 44 (Ind. Tax 2000)

REMC challenged the Department's final determination granting REMC's protest but stating that, in the future, REMC's publication would be subject to gross retail and use taxes because it did not qualify as a newspaper. The Department moved to dismiss for lack of jurisdiction. The Court ruled that, even though REMC was not assessed a deficiency, it was still able to file suit because REMC had completed the statutory requirements to gain the Tax Court's jurisdiction.

### [Indiana Department of State Revenue v. Farm Credit Services of Mid-America](#) 734 N.E.2d 551 (Ind. 2000)

Mid-America, part of the Farm Credit System, claimed it was exempt from Indiana's Financial Institutions Tax under intergovernmental tax immunity. The claim was based on Mid-America's membership in a nationwide network of cooperative, borrower-owned banks and lending institutions, established by Congress. Since Mid-America is an Agricultural Credit Association, created through a merger between Federal Land Bank Associations (exempt through federal statute) and Production Credit Associations (limited tax exempt status), the Indiana Supreme Court ruled Mid-America is to be taxed on income generated solely from its non-tax-exempt Production Credit Association operations.

### [Salin Bancshares v. Indiana Department of State Revenue](#) 744 N.E.2d 588 (Ind. Tax 2000)

Salin disputed the Department's denial of Salin's claim for refund. The dispute arose when Salin and the IRS entered into a closing agreement for the 1991 tax year. This agreement altered Salin's 1991 tax owed to Indiana. Salin failed to report the change in tax liability to the Department because it claimed its federal return was unchanged. The Court determined that IC 6-5.5-6-6 required Salin to report any changes in federal income taxes, not limited to changes on the return. The statute of limitations was not a factor because the Court ruled "Salin is equitably estopped from asserting its statute of limitations defense."

### [Meyer Waste Systems, Inc. v. Indiana Department of State Revenue](#) 741 N.E.2d 1 (Ind. Tax 2000)

Meyer Waste appealed the Department's ruling denying Meyer from using an exemption from use tax. Meyer contended that it was hauling others' garbage and therefore provided a public transportation service. The Court ruled that Meyer owned the garbage it hauled and, therefore, was not providing a public transportation service because, to qualify, one must haul the property of another. The Court also denied Meyer's argument that the public transportation exemption is unconstitutional because it is arbitrary.

### [Panhandle Eastern Pipeline Co. v. Indiana Department of State Revenue](#) 741 N.E.2d 816 (Ind. Tax 2001)

Panhandle filed a motion for summary judgment to determine whether Panhandle was entitled to a 100% exemption from Indiana use tax for equipment purchased and used in the distribution of natural gas based on IC 6-2.5-5-27. This exemption is triggered when a company uses the property or service in providing public transportation for persons or property. The Tax Court found the public transportation exemption provided by IC 6-2.5-5-27 to be an all-or-nothing exemption. "If a taxpayer acquires tangible personal property for predominate use in providing public transportation for third parties, then it is entitled to the exemption. If a taxpayer is not predominately engaged in transporting the property of another, it is not entitled to the exemption."

### [Christina L. Williams v. Indiana Department of State Revenue](#) 742 N.E.2d 562 (Ind. Tax 2001)

Williams challenged the Department's ruling denying a refund of the Indiana gross retail tax paid on an automobile. Williams purchased the car but failed to register it in Indiana. After four months, she moved to Michigan and registered the car in Michigan and paid Michigan use tax. The Court found for the Department because Williams was required to register the car in Indiana but failed to do so. The credit Williams requested under IC 6-2.5-3-5(a) for payment of use tax in Indiana when a similar tax has been paid in another state is not available when a vehicle is required to be titled, registered, or licensed in Indiana and has not been titled, registered, or licensed.

[Kevin and Monica Clifft v. Indiana Department of State Revenue](#)

748 N.E.2d 449 (Ind. Tax 2001)

Monica Clifft challenged the Department's finding that she owed a controlled substance excise tax of \$77,871. The only issue the Court decided was whether or not Clifft possessed the marijuana in question. The Court ruled that Clifft had, at minimum, constructive possession because she was not present in the house when the police seized the drugs. Her constructive possession was measured by the *Hall* test as the capability to maintain dominion over drugs. Clifft's ownership of the house where the drugs were found, combined with a guilty plea in her criminal trial, her personal use of the drugs in the house, and the drugs found in her clothes were enough to prove constructive possession and, therefore, sustain her liability for the controlled substance excise tax.

[The May Department Stores Company v. Indiana Department of State Revenue](#)

749 N.E.2d 651 (Ind. Tax 2001)

May Department Stores challenged the Department's reclassification of income as business income. The income, related to the sale of Company assets, was initially classified by the Company as nonbusiness income. The Court ruled that "in passing IC Sec. 6-3-1-20, the General Assembly provided two tests for defining business income [the functional & transactional tests]." If income meets either of the two tests, it is sufficient to constitute business income. To meet the functional test, the "disposition of the assets at issue must, along with their acquisition and management, constitute an integral part of the taxpayer's regular trade or business operations." May's divestiture did not meet either test and was, therefore, not business income.

[Indiana Department of State Revenue v. Estate of Riggs.](#)

735 NE 2d 340 (Tax Ct 2000)

The Court held that the increase in inheritance exemptions for Class A beneficiaries effective July 1, 1997, did not apply to inheritance tax on decedents dying prior to July 1, 1997.

## AREAS OF RECURRING TAXPAYER NONCOMPLIANCE

### ■ Returns Processing Center, Pg. 22

### ■ Compliance Division, Pg. 24

## ■ RETURNS PROCESSING CENTER

*The primary goal of the Returns Processing Center is to see that all returns and payments are received, processed and posted to the computer system in a timely and accurate manner. As new technology evolves in the area of taxation, we must be able to work with the new technology to continue to achieve our goal of getting the returns and payments posted to the proper accounts timely and accurately. Although we receive more returns and payments electronically each year we still process over 6 million returns for 43 different tax and fee types. But even with the use of new technology we still have the following areas of recurring taxpayer noncompliance.*

### **Use of Non-Departmental Payment Coupons**

The Department provides preprinted coupon vouchers to taxpayers who are registered with the Department and have a previous history of filing coupons. Relevant tax types include: sales tax, withholding tax, estimated tax for both individuals and corporations, and various other taxes and fees. Each month the Department receives several thousand payments without coupons, maybe with handwritten information on pieces of paper, coupons from prior filing periods that have been changed to fit the periods for which the taxpayers are trying to file, or just payments with no explanation. The Department receives numerous coupons generated by tax preparation software that cannot be processed by our automated equipment, which cause them to be manually processed and slows down productivity.

### **Failure to Complete All the Required Lines/Information**

The Department receives numerous returns that are not completed by the taxpayer, which delays their processing and necessitates Department personnel having to complete the form based on the information provided, contacting the taxpayer, or returning the form to the taxpayer for additional information. These problems slow down the Department's ability to process returns quickly and efficiently.

### **Duplicate Returns**

Taxpayers file a return electronically and then file a paper copy of the return with the Department. This causes the Department to process the paper return through the data capture process and posts to the system. A suspended transaction then occurs because two returns using the same ID number are found.

### **Filing the Wrong Return**

The Department receives numerous returns each year which are on the correct forms but not for the current year, or may be for the correct year but are on the wrong forms. An example would be taxpayers' submitting IT-40EZ forms, when they do not qualify for that form because of the type of income or deductions they may have. In these cases, Department employees must determine the correct form to be used and either attempt to transfer the information to the correct form, or return the form submitted along with a copy of the correct form to the taxpayer for resubmitting.

### **Failure to Attach W-2 Forms**

The Department receives a vast number of Individual Income Tax returns without W-2 forms to verify the withholding taxes taken as credits on the returns. Failure to submit W-2 forms causes the returns to be rejected and returned to taxpayers with requests for correct documentation.

### **Failure To Attach W-2 Forms with the WH-3**

The WH-3 is a reconciliation of the W-2 forms; and both the WH-3 and all W-2 forms must be submitted together annually. The Department often receives WH-3 forms without W-2 forms attached. It also often finds cases of taxpayers changing business names during the year but continuing to file their taxes under their previous Identification Number, and then using the incorrect forms at the end of the year to submit their withholding information for the year. Although the Department provides for the filing of WH-3 and W-2 forms using magnetic media few taxpayers take advantage of this technology.



### ***Failure to Attach the Necessary Schedules***

The Department finds that often taxpayers take credits on their tax returns, but fail to include documentation or necessary schedules to substantiate the deduction or credits being taken (e.g. College Credit, Form CC-40).

### ***Failure to Comply with Enterprise Zone Deduction***

If a taxpayer lives in an Enterprise Zone and works for a qualified employer in that zone, the taxpayer may be qualified to take the deduction. The deduction is one half (1/2) of the earned income shown on form IT-40QEC, or \$7,500, whichever is less. Often the deduction is calculated incorrectly, or Form IT-40QEC, which should be provided and completed by the employer, is not attached to the taxpayer's Form IT-40.

### ***IT-9, Extension Payment Voucher***

Taxpayers file the IT-9 even though no tax is due or they file the form showing tax due but fail to include a payment.

### ***Taxpayer Filing Wrong Form***

Taxpayers who are residents from Reciprocal States often file on Indiana Form IT-40 and take a deduction of the other state's income, rather than filing the appropriate Indiana Form IT-40RNR (Reciprocal Nonresident).

### ***Penalty for Underpayment of Estimated Tax***

Taxpayers often owe penalties for underpayment of estimated taxes if they didn't have taxes withheld from their income and/or didn't pay sufficient estimated taxes throughout the year. Generally speaking, if a taxpayer owes \$400.00 or more in state and county taxes for the year that are not covered by withholding taxes, the taxpayer needs to make estimated tax payments.

### ***Failure to Calculate County Tax***

Often taxpayers fail to compute their county taxes. If, on January 1 of the tax year, taxpayers lived and/or worked in an Indiana county that has a tax, they must figure their county tax. Failure to calculate county tax due may delay processing of their returns.

### ***Improper Completion of County Boxes***

Some IT-40's are received with "00" in the county boxes when it is not applicable. An example is "00" entered in the spouse boxes for a single taxpayer. Our computer system recognizes "00" as meaning a non-reciprocal out of state county.

### ***Systems Services Delinquency Project***

The Department issues delinquency letters to those Sales Tax and Withholding Tax accounts that fail to file returns for all periods. The taxpayer receives a letter indicating

the tax type, delinquent month(s), quarter(s) or year along with the appropriate preprinted returns to be completed for those periods. This project is conducted to ensure compliance with the Department of Revenue's filing requirements and encourage proper notification of any changes that we may need to maintain accurate and current records.

### ***Fuel Tax Common Reporting Errors***

A review of previously filed special fuel and gasoline monthly tax returns has revealed the following common reporting errors. This list does not contain all reporting errors, but is representative of those most commonly found. This would include the following forms and schedules: FT-1, SF701, MF360, Schedules 5 through 10, SF900, SF401, Schedules 1A, 2A, 3A, FT501, Schedule 501A, 501B, 501C, MF600, SF801 and SFIVP.

- Return submitted with no license/account number indicated
- Return submitted with no signature of person completing/filing return
- No payment submitted with a return that indicates an amount due
- Payment submitted but no return filed
- Missing schedules
- Incomplete information provided on schedules
- Transactions reported in the wrong month. (All special fuel transactions must be reported in the month in which they occur)
- Duplication of deductions on more than one schedule
- More than one fuel type reported on same schedule
- Export schedules not filed in duplicate as required
- Dyed fuel transactions reported on schedules designated as clear fuel
- Deliveries of special fuel with an Indiana destination misreported on export schedules
- Truck deliveries misreported on Schedule 6
- Computer generated forms/schedules that do not conform to Department requirements
- Dyed fuel user not filing schedule correctly

### ***Environmental Tax Common Reporting Errors***

A review of previously-filed environmental returns has revealed the following common reporting errors. This would include the following forms and schedules: UST-1, HC-500, HW-020 and SW-100.

- Form not signed
- No Federal I.D. Number/Social Security Number
- No check with form
- No form with check
- Money sent is different from amount shown on form
- Missing schedules
- Duplicate filing

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## **■ COMPLIANCE DIVISION**

### ***Aeronautics Section***

The Aeronautics Section mailed 4,568 aircraft registration renewals for the calendar year 2000 with 76 owners in delinquent status as of December 2000. This translates into a 98.25% renewal compliance rate. The following amounts, including penalty & interest, were collected and processed by the Aeronautics Section for the fiscal year 2000 – 2001.

Aircraft Sales/Use Tax	\$3,276,438
Aircraft Excise Tax	\$ 513,452
Aircraft Registration Fees	\$ 118,754
Airport Late Fees	\$ 550
Total	\$3,909,194

Indiana Code 6-6-6.5-2 states that any Indiana resident who owns an aircraft must register the aircraft within thirty-one (31) days from the purchase date. Any non-resident who bases an aircraft in this state for more than sixty (60) days shall register the aircraft with the Department no later than sixty (60) days after establishing a base in Indiana. During fiscal year 2001, the Aeronautics Section completed a comparison of Federal and State aircraft databases. This project resulted in identifying 600 possible non-compliant aircraft owners. Over \$1.1 million dollars, which included sales/use tax, excise tax, registration fees, plus penalty and interest, were collected as a result of this project.

### ***Corporate Dissolutions, Reinstatements Certificates of Clearance and Letters of Good Standing***

This section has received 1,354 notices of corporate dissolution. Of these, 620 corporations have been purged from Department records. The remaining 734 corporations cannot be purged because of outstanding liabilities or missing returns. Indiana Code 6-8.1-10-9 provides that any corporate officer or director becomes personally liable for all taxes, penalties, interest, and fees associated with the collection of liabilities for a period of one (1) year from the date the Department is notified of the corporation's dissolution. The corporate officers or directors become personally liable because the dissolving corporation distributed corporate assets before all liabilities were satisfied. Corporate officers or directors may be absolved of any personal liability by obtaining a Certificate of Clearance from the Department. The Certificate of Clearance certifies that all liabilities due the Department have been satisfied.

Corporations that allow their corporate status to be administratively dissolved by the Secretary of State's office for noncompliance must obtain a Reinstatement Certificate of Clearance from the Department verifying the corporation is in good standing before they can be reinstated with the Secretary of State. The Department issued 1,237 Certificates of Clearance after 344 delinquent returns were filed and \$341,330 in outstanding liabilities were paid. The Department has denied 122 requests.

Corporations in the process of obtaining financial loans or grants will request the Department to issue a Letter of Good Standing. The Department has issued 101 Letters of Good Standing and denied 22 requests.

### ***Neighborhood Assistance Program***

The total Neighborhood Assistance credits allowed in a fiscal year (July 1, to June 30) cannot exceed \$2.5 million. Donations are made to qualified Neighborhood Assistance Organizations are verified by the Indiana Department of Commerce. The Department of Revenue tracks the donations from various business entities allowing 50% of the allowable donation as a credit against gross income tax, adjusted gross income tax, or supplemental net income tax. The Department has processed 2,338 credits for the fiscal year ending June 30, 2001.

### ***Bankruptcy/Responsible Officer Section***

The Bankruptcy Section receives notification from Federal district courts of bankruptcies related to the State of Indiana. The Department is required to file proofs of claim with courts of any outstanding Indiana tax liabilities. During the fiscal year 2001, this section filed 2,752 original claims, plus 1,855 supplemental claims with the U.S.

Bankruptcy Courts for a total net assessment of \$22,647,025. Collections from previously filed claims totaled \$3,128,465. This section received 983 previously unfiled tax returns from taxpayers in bankruptcy status.

A responsible officer is an individual who is an employee, officer or member of a corporation or partnership who has the duty to remit trust taxes to the Department of Revenue. The responsible officer is personally liable under IC 6-2.5-9-3 [sales/use tax] and IC 6-3-4-8(g) [withholding] for the payment of these taxes. Trust fund taxes are comprised primarily of sales/use and withholding taxes. During the fiscal year 2001, responsible officers were assessed \$2,002,978 in delinquent trust taxes.

### ***Charity Gaming/Not for Profit***

This section is responsible for determining organizations' not for profit status and for licensing qualified not for profit organizations for bingo, festivals, raffles, door prizes, and charity game nights. The licensing of manufacturers and distributors to sell tip boards, punch boards and pull-tabs is performed by this section.

A total of \$4,309,595 in fees was collected from the following licenses issued:

#### **Type of License      Number of Licenses Issued**

Annual Bingo	919
Charity Game Night	223
Door Prize	5
Festival	291
Raffle	556
Special Bingo	<u>121</u>
Total Licenses Issued	2,115

The following license fees were collected:

Gaming License Fees	\$4,161,595
Manufacturers License	\$ 36,000
Distributors License	<u>\$ 112,000</u>
Total Fees Collected	\$4,309,595

During fiscal year 2001, the Charity Gaming Section conducted six (6) training seminars, which were held in Plymouth, Huntington, Marshall, Mitchell, Madison and Indianapolis. Approximately 235 representatives from not-for-profit organizations attended these seminars, which covered the following topics:

\*Not-for-Profit Tax Registration

\*How to Qualify to Conduct Charity Gaming in Indiana

\*New Single Event Form

\*Financial Reports for Annual Bingo & Single Events

\*Penalties & Fines Imposed for Gaming Violations

### ***Individual/Withholding/Fiduciary Tax Sections***

The Individual Income Tax Section's mission is to identify non-filers; as well as to verify the accuracy of filed returns by utilizing information from the Internal Revenue Service, various Indiana State agencies, other state taxing agencies, and anonymous informants. Our standard compliance projects and findings for fiscal year 2001 are as follows:

#### ***Federal Audits***

The Internal Revenue Service provides agreed Federal tax audit reports to the Department. If taxpayers fail to amend their Indiana individual income tax returns to report the Indiana adjustments from the Federal modifications, a tax assessment is generated. This project resulted in 3,455 taxpayers being assessed \$3,447,735.

#### ***CP 2000 Unreported Income***

The Department receives data from the Internal Revenue Service regarding taxpayers who fail to report all taxable income. This could be income derived from wages, interest, dividends, non-employee compensation. These types of income are reported on W-2's or Form 1099 Information Returns. An assessment is generated if the income was not reported on the original return, or an amended return. This project resulted in 7,970 taxpayers being assessed \$1,824,419.

#### ***Individual Desk Audits***

Individual desk examinations are performed, based on anonymous sources or submissions from other divisions within the Department. The examination may consist of verifying income reported, credits/deductions taken, or the amount of refund requested. Individual desk audit resulted in 134 assessments totaling \$83,782.

#### ***Withholding Discrepancies***

A comparison is made between taxpayers' annual payroll reconciliation forms [Form WH-3] with the state and county withholding payments [Form WH-1] made during the year. If an underpayment exists, taxpayers are assessed the difference. This project resulted in 450 taxpayers being assessed \$7,776,716.

#### ***Fiduciary Tax***

Trusts, estates, and qualified retirement plans taxed as trusts with unrelated business income are required to file form IT-41. The tax base is federal taxable income. This section processes all IT-41s filed with the Department, verifying the accuracy of the income, deductions

and credits reported on the return. Verified overpayments are refunded and any underpayments are billed. Total Fiduciary tax collected by the Department for this fiscal year totaled \$28,162,151.

## ***Strategic Section***

The Strategic Section of Compliance was created to research, develop, and implement projects designed to increase taxpayer education and voluntary compliance. This section is responsible for billing corporate taxpayers on unreported Federal modifications. In this endeavor, 494 returns were reviewed and \$2,358,474 assessed/collected.

Educational efforts continued to inform professional and service-oriented businesses of a potential use tax liability. Use tax is due when a purchase is made and there was no sales tax imposed on the transaction. This would include purchases made from suppliers or vendors outside Indiana. Examples of such purchases subject to use would include professional books or publications, computer hardware or software, office equipment, and magazine subscriptions. Letters providing information on use tax requirements were sent to 7,708 taxpayers, which resulted in the collection of \$33,387.

This section contacted 28 taxpayers who were delinquent in multiple tax areas. These taxpayers were contacted by telephone or mail and informed of missing tax returns before any assessments were issued. This project resulted in taxpayers filing returns for the missing tax periods and remitting taxes totaling \$43,273.

Much research was conducted this year on referrals received from within the Department, other state agencies, as well as revenue departments of other states. As a result of taxpayer correspondence and assessment notifications, this section collected \$198,201.

### ***Voluntary Compliance Agreements***

Taxpayers who have failed to collect/remit taxes frequently contact the Department and request to enter into a Voluntary Compliance Agreement. These taxpayers may have been unaware of Indiana's filing requirements or may have failed to file tax returns. Collections for fiscal year 2001 totaled \$2,145,788.

## ***Utility/Sales Tax Refund Section***

Indiana law exempts certain utility transactions from Indiana sales/use tax if the utilities are used in manufacturing, mining, production, refining, oil extraction, mineral extraction, irrigation, agriculture, or horticulture and the utilities are either separately metered or used pre-

dominantly for an exempt purpose. To receive this exemption, the taxpayer must complete Form ST 200, Utility Sales Tax Exemption Application. The application is utilized by the Department to determine if a taxpayer qualifies for a full or partial exemption. This section reviewed and processed 6,320 Utility Sales Tax Exemption Applications. Approximately 5,503 of these applications qualified for a 100% exemption from their respective public utility service. These applicants were primarily government agencies and qualified not-for-profit organizations.

Commercial enterprises including businesses engaged in manufacturing, farming, mining, public transportation, and sales to other public utility companies also applied for and received a 100% exemption from their respective utility service. The Department granted 518 applicants a partial exemption for utility services consumed in industrial processing, restaurant use, etc. These businesses will apply with the Department on an annual basis to obtain a partial refund of the sales/use tax paid on the respective utility service. The Department denied utility exemption to 299 applicants. These applications were denied because the applicant failed to provide all of the requested information or the applicant was ineligible.

Approximately 3,959 refund claims (Form GA-110L) were processed and approved totaling \$23,816,437. In addition \$18.3 million was assigned to other divisions for review. The Department denied \$1.37 million in refund claims due to failure to meet exemption requirements, lack of documentation or the expiration of the statute of limitations.

Consumer use tax collections, payments received from out of state companies (who either collected Indiana sales/use tax or owed Indiana use tax) totaled \$482,733. In addition, the section billed \$110,194 based on information provided from a variety of other sources. The Department, also, collected \$3,450 in delinquent registration fees.

### ***Fuel & Environmental***

This section reviews and processes Gasoline tax refunds (Form GR-4136), Special Tax refund (Form SFR-1032) and Proportional Use refunds (Form MF-6431). Approximately 6,000 refund claims for state fuel taxes were examined.

## INDIANA TAX DESCRIPTIONS AND RECEIPTS

All amounts are in thousands. Percent (%) change reflects increase from FY00 to FY01, unless otherwise indicated.

### Aircraft License Excise Tax

Excise tax, due at the time of registration, is determined by weight, age and type of aircraft. All excise tax is distributed to the county where the aircraft is usually located when not in use.

FY90	—	FY94	\$ 413.2	FY98	\$ 381.8
FY91	—	FY95	\$ 395.6	FY99	\$ 392.9
FY92	—	FY96	\$ 404.4	FY00	\$ 430.0
FY93	—	FY97	\$ 377.6	<b>FY01</b>	<b>\$ 513.8</b>
				CHANGE	19.5%

### Alcoholic Beverage Tax

Per gallon rates are based on the wholesale purchase of the following: beer, \$.115; Liquor-wine (21% alcohol or more), \$2.68; wine (less than 21% alcohol), \$0.47; mixed beverages (14% or less), \$0.47

FY90	\$ 35,247.4	FY94	\$ 33,974.9	FY98	\$ 33,087.8
FY91	\$ 33,593.8	FY95	\$ 33,590.2	FY99	\$ 35,148.9
FY92	\$ 33,831.5	FY96	\$ 33,847.8	FY00	\$ 36,240.5
FY93	\$ 33,224.5	FY97	\$ 33,942.4	<b>FY01</b>	<b>\$ 36,597.8</b>
				CHANGE	1.0%

### Auto Rental Excise Tax

Based on the gross retail income from the rental of a vehicle weighing less than 11,000 pounds, for less than a 30-day period at a rate of 4%.

FY90	\$ 3,614.7	FY94	\$ 5,403.0	FY98	\$ 8,047.7
FY91	\$ 4,528.0	FY95	\$ 6,282.9	FY99	\$ 8,914.0
FY92	\$ 4,464.8	FY96	\$ 6,981.3	FY00	\$ 8,101.9
FY93	\$ 5,008.4	FY97	\$ 7,836.8	<b>FY01</b>	<b>\$ 9,846.8</b>
				CHANGE	21.5%

### Charity Gaming Excise Tax

Tax based on the sale of pull tabs, punchboards and tip boards to qualified organizations licensed for charity gaming at a rate of 10% of the wholesale price. Remitted by the licensed distributor or manufacturer (not the organization).

FY90	—	FY94	\$ 780.5	FY98	\$ 1,222.7
FY91	—	FY95	\$ 967.7	FY99	\$ 1,313.1
FY92	—	FY96	\$ 1,008.1	FY00	\$ 1,211.1
FY93	\$ 581.0	FY97	\$ 1,194.3	<b>FY01</b>	<b>\$ 1,521.0</b>
				CHANGE	25.6%

### Cigarette/Other Tobacco Tax

Levied against cartons or packs of cigarettes and cigarette papers, wrappers and tubes at the following rates: pack of 20 cigarettes, \$0.155; pack of 25 cigarettes, \$0.19375; other tobacco products, 15% of wholesale price.

FY90	\$ 112,739.4	FY94	\$ 113,380.3	FY98	\$ 127,969.1
FY91	\$ 110,113.7	FY95	\$ 123,025.6	FY99	\$ 127,634.1
FY92	\$ 111,363.1	FY96	\$ 123,720.2	FY00	\$ 125,151.5
FY93	\$ 110,278.4	FY97	\$ 128,420.3	<b>FY01</b>	<b>\$ 120,827.4</b>
				CHANGE	-3.5%



### Controlled Substance Excise Tax

Imposes a tax on illegally delivered, manufactured or possessed controlled substances. (Prescription pharmaceuticals are exempt.) Tax based on the weight and schedule of substance. Rates vary from \$3.50 to \$40.00 per gram. Once paid, a taxpayer who can remain anonymous is given a receipt for the tax which is valid for a specific time period. The payment of this tax does not legalize the controlled substance or the activity associated with it.

FY90	—	FY94	\$ 260.4	FY98	\$ 101.2
FY91	—	FY95	\$ 291.4	FY99	\$ 55.5
FY92	—	FY96	\$ 110.4	FY00	\$ 60.2
FY93	\$ 326.0	FY97	\$ 192.9	<b>FY01</b>	<b>\$ 86.5</b>
				CHANGE	43.7%

### Corporate Income Taxes

Includes gross, adjusted gross and supplemental net income taxes.

FY90	\$ 753,344.3	FY94	\$ 866,840.5	FY98	\$ 950,488.6
FY91	\$ 642,233.6	FY95	\$ 896,846.2	FY99	\$1,006,572.4
FY92	\$ 649,731.8	FY96	\$ 911,725.7	FY00	\$ 950,323.9
FY93	\$ 669,403.8	FY97	\$ 924,048.3	<b>FY01</b>	<b>\$ 842,546.3</b>
				CHANGE	-11.3%

### County Adjusted Gross Income Tax

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt either the County Adjusted Gross Income Tax or the County Option Income Tax, but not both.)

FY90	\$ 180,589.5	FY94	\$ 236,400.0	FY98	\$ 254,264.0
FY91	\$ 178,896.0	FY95	\$ 228,824.4	FY99	\$ 265,759.0
FY92	\$ 184,570.8	FY96	\$ 236,047.2	FY00	\$ 284,537.8
FY93	\$ 194,984.4	FY97	\$ 243,561.6	<b>FY01</b>	<b>\$ 308,062.2</b>
				CHANGE	8.3%

### County Economic Development Income Tax

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary.

FY90	\$ 13,260.0	FY94	\$ 58,321.0	FY98	\$ 97,879.2
FY91	\$ 21,960.0	FY95	\$ 64,222.8	FY99	\$ 112,551.9
FY92	\$ 31,492.8	FY96	\$ 74,388.0	FY00	\$ 121,817.0
FY93	\$ 38,241.6	FY97	\$ 80,456.4	<b>FY01</b>	<b>\$ 140,547.2</b>
				CHANGE	15.4%

### County Innkeepers Tax

Tax determined locally at a rate not to exceed 5% of the gross income derived from lodging income. Tax may be collected either by the Department or locally through the county treasurer's office.

FY90	\$ 14,309.6	FY94	\$ 12,671.5	FY98	\$ 18,962.8
FY91	\$ 13,288.6	FY95	\$ 14,248.6	FY99	\$ 20,251.1
FY92	\$ 12,908.8	FY96	\$ 14,973.1	FY00	\$ 21,077.4
FY93	\$ 13,121.4	FY97	\$ 15,600.7	<b>FY01</b>	<b>\$ 24,073.7</b>
				CHANGE	14.2%

### County Option Income Tax

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt the County Option Income Tax or the County Adjusted Gross Income Tax, but not both.)

FY90	\$ 162,828.0	FY94	\$ 245,808.1	FY98	\$ 344,646.5
FY91	\$ 190,116.0	FY95	\$ 275,462.7	FY99	\$ 368,343.2
FY92	\$ 203,113.2	FY96	\$ 285,327.6	FY00	\$ 394,089.4
FY93	\$ 223,934.4	FY97	\$ 314,942.0	<b>FY01</b>	<b>\$ 437,437.3</b>
				CHANGE	11.0%

### Estate Tax

Based on the difference between the State Death Tax Credit allowed at the federal level and the amount paid in state Inheritance Tax.

FY90	\$ 4,972.6	FY94	\$ 9,709.1	FY98	\$ 11,241.3
FY91	\$ 13,168.5	FY95	\$ 7,168.7	FY99	\$ 24,700.4
FY92	\$ 2,500.0	FY96	\$ 4,383.9	FY00	\$ 21,022.0
FY93	\$ 11,054.0	FY97	\$ 8,886.0	<b>FY01</b>	<b>\$ 28,936.1</b>
				CHANGE	37.6%

### Financial Institutions Tax

Based on the federal adjusted gross income at a rate of 8.5% for businesses which are engaged in extending credit, leasing (when it is the economic equivalent of extending credit) or credit card operations.

FY90	\$ 16,292.5	FY94	\$ 108,077.2	FY98	\$ 95,967.3
FY91	\$ 62,731.4	FY95	\$ 100,742.9	FY99	\$ 81,883.8
FY92	\$ 74,372.1	FY96	\$ 122,142.0	FY00	\$ 79,365.8
FY93	\$ 100,425.6	FY97	\$ 100,682.9	<b>FY01</b>	<b>\$ 55,594.3</b>
				CHANGE	-30.0%

### Food and Beverage Tax

Tax determined locally for purchases of food and beverages at a rate of 1% of retail sales price.

FY90	\$ 15,644.0	FY94	\$ 20,670.1	FY98	\$ 23,683.5
FY91	\$ 16,362.7	FY95	\$ 20,452.6	FY99	\$ 23,574.1
FY92	\$ 16,447.5	FY96	\$ 21,341.0	FY00	\$ 26,021.0
FY93	\$ 18,947.8	FY97	\$ 22,239.9	<b>FY01</b>	<b>\$ 26,438.9</b>
				CHANGE	1.6%

### Gasoline Tax

Per gallon rate of \$0.15 for all invoiced gallons of gasoline collected by the licensed distributor and added to the selling price.

FY90	\$ 395,730.7	FY94	\$ 420,237.5	FY98	\$ 455,569.6
FY91	\$ 397,283.9	FY95	\$ 430,807.7	FY99	\$ 466,427.9
FY92	\$ 399,849.1	FY96	\$ 437,096.3	FY00	\$ 464,152.8
FY93	\$ 406,508.5	FY97	\$ 443,869.2	<b>FY01</b>	<b>\$ 493,684.2</b>
				CHANGE	6.4%



### Hazardous Waste Disposal Tax

Based on the amount of hazardous waste (as defined by statute) placed in a disposal facility or by means of underground injection at a rate of \$11.50 per ton.

FY90	\$ 5,836.0	FY94	\$ 2,733.3	FY98	\$ 2,603.0
FY91	\$ 2,335.1	FY95	\$ 2,634.8	FY99	\$ 1,744.7
FY92	\$ 2,638.2	FY96	\$ 2,575.5	FY00	\$ 1,770.1
FY93	\$ 2,512.0	FY97	\$ 2,390.1	<b>FY01</b>	<b>\$ 1,542.5</b>
				CHANGE	-12.9%

### Individual Adjusted Gross Income Tax

Based on the federal adjusted gross income with numerous "add-backs" for individual residents, partners, stockholders in Subchapter S Corporations, trusts, estates and nonresidents with Indiana income sources at a rate of 3.4%.

FY90	\$ 2,089,540.4	FY94	\$ 2,541,895.1	FY98	\$ 3,433,445.9
FY91	\$ 2,183,972.1	FY95	\$ 2,767,743.1	FY99	\$ 3,699,316.6
FY92	\$ 2,246,760.5	FY96	\$ 2,966,265.7	FY00	\$ 3,753,339.5
FY93	\$ 2,412,471.9	FY97	\$ 3,197,117.8	<b>FY01</b>	<b>\$ 3,779,805.4</b>
				CHANGE	0.7%

### Inheritance Tax

Based on the taxpayer class (transferee's relationship to deceased); property's taxable value; residency status; and situs of real and tangible property and intangible property.

FY90	\$ 62,313.0	FY94	\$ 88,604.6	FY98	\$ 113,141.7
FY91	\$ 68,364.1	FY95	\$ 98,886.3	FY99	\$ 124,011.8
FY92	\$ 84,469.5	FY96	\$ 93,767.2	FY00	\$ 119,198.1
FY93	\$ 91,146.7	FY97	\$ 106,470.1	<b>FY01</b>	<b>\$ 134,748.2</b>
				CHANGE	13.0%

### Marion County Admissions Tax

Specific to the RCA Dome, Victory Field and Conseco Fieldhouse in Indianapolis for any sporting event at a rate of 5% of the admission.

FY90	\$ 699.9	FY94	\$ 607.1	FY98	\$ 931.4
FY91	\$ 672.4	FY95	\$ 713.0	FY99	\$ 1,209.9
FY92	\$ 643.2	FY96	\$ 860.3	FY00	\$ 4,567.5
FY93	\$ 635.0	FY97	\$ 966.3	<b>FY01</b>	<b>\$ 4,527.7</b>
				CHANGE	0.9%

### Marion County Supplemental Auto Rental Excise Tax

Based on the gross retail income from the rental of passenger motor vehicles and trucks in Marion County for less than a 30-day period at a rate of 2%. Revenue from the tax is paid to the Capital Improvement Board of Managers effective 1997.

FY90	—	FY94	—	FY98	\$ 1,330.1
FY91	—	FY95	—	FY99	\$ 1,667.8
FY92	—	FY96	—	FY00	\$ 1,658.7
FY93	—	FY97	—	<b>FY01</b>	<b>\$ 1,883.7</b>
				CHANGE	13.6%

### Motor Carrier Fuel Tax

Per gallon rate of \$0.16 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY90	\$ 16,083.4	FY94	\$ 13,721.2	FY98	\$ 9,869.4
FY91	\$ 17,009.2	FY95	\$ 11,597.2	FY99	\$ 7,039.4
FY92	\$ 15,031.0	FY96	\$ 9,605.5	FY00	\$ 5,745.2
FY93	\$ 15,138.0	FY97	\$ 7,431.2	<b>FY01</b>	<b>\$ 3,727.0</b>
				CHANGE	-35.1%

### Motor Carrier Surcharge Tax

Per gallon rate of \$0.11 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY90	\$ 54,159.1	FY94	\$ 60,561.8	FY98	\$ 93,552.6
FY91	\$ 71,996.4	FY95	\$ 78,437.4	FY99	\$ 90,232.4
FY92	\$ 64,114.0	FY96	\$ 67,380.2	FY00	\$ 76,747.4
FY93	\$ 64,483.5	FY97	\$ 61,220.0	<b>FY01</b>	<b>\$ 90,891.2</b>
				CHANGE	18.4%

### Motor Vehicle Excise Tax

Specific compliance program authorized by statute aimed at locating vehicles owned by Indiana residents and registered illegally out of state, thus avoiding State Vehicle Excise Tax. Based on the age and class of vehicle, plus penalty and interest for the time period vehicle is illegally registered. (Except for this program, Motor Vehicle Excise Tax is otherwise collected by the Bureau of Motor Vehicles.)

FY90	\$ 236.6	FY94	\$ 923.8	FY98	\$ 468.6
FY91	\$ 1,049.4	FY95	\$ 631.4	FY99	\$ 281.4
FY92	\$ 1,450.1	FY96	\$ 832.1	FY00	\$ 122.1
FY93	\$ 722.3	FY97	\$ 732.1	<b>FY01</b>	<b>\$ 20.4</b>
				CHANGE	-83.3%

### Pari-mutuel Admission Tax

Imposed at \$0.20 for each person who pays an admission charge to a racetrack grounds or satellite facility. (*The following amounts have been verified by the Indiana Horse Racing Commission.*)

FY90	—	FY94	—	FY98	\$ 29.6
FY91	—	FY95	\$ 74.9	FY99	\$ 26.0
FY92	—	FY96	\$ 62.7	FY00	\$ 21.4
FY93	—	FY97	\$ 34.8	<b>FY01</b>	<b>\$ 18.3</b>
				CHANGE	-14.5%

### Pari-mutuel Wagering Tax

A 2% levy is imposed on the total amount of money wagered on line races and simulcasts conducted **at a permit holder's racetrack**. The tax is 2.5% of the total amount of money wagered on simulcasts from **satellite facilities**. (*The following amounts have been verified by the Indiana Horse Racing Commission.*)

FY90	—	FY94	—	FY98	\$ 3,499.1
FY91	—	FY95	\$ 1,397.7	FY99	\$ 3,648.5
FY92	—	FY96	\$ 3,211.9	FY00	\$ 3,751.7
FY93	—	FY97	\$ 3,450.2	<b>FY01</b>	<b>\$ 3,534.3</b>
				CHANGE	-5.8%

### Petroleum Severance Tax

Levied against producers or owners of crude oil or natural gas and imposed at the time these products are removed from the ground at a rate equal to the greater of either 1% of the petroleum value, or \$0.03 per 1,000 cubic feet for natural gas and \$0.24 per barrel of oil.

FY90	\$ 795.7	FY94	\$ 696.4	FY98	\$ 642.5
FY91	\$ 802.5	FY95	\$ 653.2	FY99	\$ 506.3
FY92	\$ 762.5	FY96	\$ 574.0	FY00	\$ 467.0
FY93	\$ 694.7	FY97	\$ 614.9	<b>FY01</b>	<b>\$ 565.3</b>
				CHANGE	21.0%

### Public Utility Tax (Railroad Car Companies/Railroads)

Based each year on assessments by the State Board of Tax Commissioners on the indefinite-situs distributable property of a railroad company that provides service within a commuter transportation district.

FY90	\$ 3,342.3	FY94	\$ 4,267.1	FY98	\$ 5,080.2
FY91	\$ 3,541.4	FY95	\$ 4,440.6	FY99	\$ 5,786.7
FY92	\$ 3,546.6	FY96	\$ 4,894.7	FY00	\$ 5,996.7
FY93	\$ 3,944.7	FY97	\$ 5,077.9	<b>FY01</b>	<b>\$ 8,586.6</b>
				CHANGE	43.2%

### Riverboat Admissions Tax

Specific to any licensed riverboat on Indiana waterways at a rate of \$3.00 per person admitted. Collection of this tax began in December, 1995.

FY90	—	FY94	—	FY98	\$ 90,921.4
FY91	—	FY95	—	FY99	\$ 110,745.4
FY92	—	FY96	\$ 4,597.7	FY00	\$ 116,565.6
FY93	—	FY97	\$ 56,262.5	<b>FY01</b>	<b>\$ 118,630.0</b>
				CHANGE	1.8%

### Riverboat Wagering Tax

A tax of 20% of a licensed riverboat's adjusted gross receipts: total wagers, less payouts, less uncollected gaming receivables. Collection of this tax began in December, 1995.

FY90	—	FY94	—	FY98	\$ 231,890.1
FY91	—	FY95	—	FY99	\$ 295,181.4
FY92	—	FY96	\$ 13,354.7	FY00	\$ 328,200.8
FY93	—	FY97	\$ 146,084.1	<b>FY01</b>	<b>\$ 349,092.0</b>
				CHANGE	6.4%

### Sales and Use Tax

A 5% tax on purchases of tangible personal property, public utility service and some renter transactions, which is collected at the retail level (also includes gasoline, which is collected at the wholesale level).

FY90	\$ 2,089,401.8	FY94	\$ 2,600,667.8	FY98	\$ 3,278,755.6
FY91	\$ 2,154,512.7	FY95	\$ 2,810,403.8	FY99	\$ 3,414,847.5
FY92	\$ 2,216,489.3	FY96	\$ 2,965,275.9	FY00	\$ 3,687,291.7
FY93	\$ 2,340,876.4	FY97	\$ 3,145,959.5	<b>FY01</b>	<b>\$ 3,723,138.6</b>
				CHANGE	1.0%

### Special Fuel Tax

A license tax of \$0.16 per gallon imposed on all special fuel sold or used in producing or generating power for propelling motor vehicles.

FY90	\$ 95,712.3	FY94	\$ 125,911.3	FY98	\$ 151,245.0
FY91	\$ 95,633.3	FY95	\$ 124,399.8	FY99	\$ 161,779.4
FY92	\$ 94,888.3	FY96	\$ 143,727.0	FY00	\$ 186,794.0
FY93	\$108,162.2	FY97	\$ 147,552.8	<b>FY01</b>	<b>\$ 151,335.7</b>
				CHANGE	-19.0%

### MISCELLANEOUS FEES:

#### Aircraft Registration Fee

All Indiana aircraft are required to be registered with the Aeronautics Section of the Compliance Division where an annual \$10 registration/transfer fee is collected. An additional fee of \$20 or 20% (whichever is greater) of the unpaid excise tax is charged on all late registrations. There is also an annual aircraft dealers fee of \$25.

FY90	—	FY94	\$ 71.7	FY98	\$ 70.2
FY91	—	FY95	\$ 70.1	FY99	\$ 65.1
FY92	—	FY96	\$ 68.0	FY00	\$ 79.6
FY93	—	FY97	\$ 68.4	<b>FY01</b>	<b>\$ 118.9</b>
				CHANGE	49.4%

#### Charity Gaming Licensing Fee

Licensing fee for qualified organizations is \$25 for the first license. Second license for the same charity gaming activity is based on gross receipts of previous event. Annual license for distributors is \$2,000. Annual license for manufacturers is \$3,000.

FY90	—	FY94	\$ 2,557.5	FY98	\$ 3,950.1
FY91	—	FY95	\$ 3,264.7	FY99	\$ 4,264.6
FY92	\$ 184.5	FY96	\$ 3,635.1	FY00	\$ 4,328.0
FY93	\$ 1,582.1	FY97	\$ 3,997.2	<b>FY01</b>	<b>\$ 4,303.4</b>
				CHANGE	-.6%

#### Employment Agency Licensing Fee

A person, firm or corporation opening, operating or maintaining an employment agency must pay an annual \$150 fee for each license.

FY90	\$ 41.7	FY94	\$ 35.2	FY98	\$ 53.1
FY91	\$ 39.5	FY95	\$ 40.2	FY99	\$ 51.3
FY92	\$ 36.3	FY96	\$ 42.2	FY00	\$ 51.6
FY93	\$ 33.8	FY97	\$ 37.7	<b>FY01</b>	<b>\$ 54.5</b>
				CHANGE	5.6%

#### Hazardous Chemical Fee

An annual fee is imposed on a facility which must submit to the state an emergency and hazardous chemical inventory form. Fees are \$50, \$100 or \$200, depending on the volume of hazardous chemicals present at the facility during the year.

FY90	\$ 337.9	FY94	\$ 655.8	FY98	\$ 623.1
FY91	\$ 542.4	FY95	\$ 653.8	FY99	\$ 576.4
FY92	\$ 679.9	FY96	\$ 652.2	FY00	\$ 546.2
FY93	\$ 644.8	FY97	\$ 650.5	<b>FY01</b>	<b>\$ 511.3</b>
				CHANGE	-6.4%

### International Registration Plan (IRP) Licensing Fee

Licensing fee for motor carriers based on miles driven in specific jurisdictions. (Formerly administered by the Bureau of Motor Vehicles.)

FY90	—	FY94	—	FY98	\$ 71,577.9
FY91	—	FY95	—	FY99	\$ 75,941.9
FY92	—	FY96	\$ 67,140.5	FY00	\$ 89,320.1
FY93	—	FY97	\$ 74,300.4	<b>FY01</b>	<b>\$ 76,728.7</b>
				CHANGE	-14.1%

### Oversize /Overweight Permit Fee

Various categories of permits for motor carriers that are issued for different periods of time, based upon a vehicle's specific dimension and /or size and the travel activity. Fees can range from \$10.00 to over \$400.00. (Formerly administered by the Indiana Department of Transportation.)

FY90	—	FY94	—	FY98	\$11,252.7
FY91	—	FY95	—	FY99	\$11,528.3
FY92	—	FY96	\$ 3,701.8	FY00	\$12,782.3
FY93	—	FY97	\$ 9,844.3	<b>FY01</b>	<b>\$12,358.6</b>
				CHANGE	-3.3%

### Solid Waste Management Fee

Imposed on the disposal or incineration of solid waste in a final disposal facility within the state at a rate of \$.50 per ton of waste generated in the state. For solid waste generated outside the state, the rate is the greater of \$.50 per ton or the cost per ton of disposing the solid waste, including the tipping fees and state and local government fees, in the final disposal facility that is closest to the area in which the solid waste was generated, minus the fee actually charged for the disposal or incineration of the solid waste by the owner or operator of the final disposal facility.

FY90	—	FY94	\$ 3,421.0	FY98	\$ 4,623.0
FY91	\$ 1,232.3	FY95	\$ 3,789.6	FY99	\$ 4,612.7
FY92	\$ 2,539.1	FY96	\$ 3,850.6	FY00	\$ 4,516.8
FY93	\$ 3,896.1	FY97	\$ 4,494.4	<b>FY01</b>	<b>\$ 4,318.0</b>
				CHANGE	-4.4%

### Underground Storage Tank Fee

An annual fee of \$200 per tank is imposed on owners of underground storage tanks. In addition, there is an annual registration fee of \$90 for each underground petroleum storage tank; and \$45 for each underground storage tank containing regulated substances other than petroleum. (*\*Beginning in July 1, 1997, the oil inspection fees increased from \$.0008 cents per gallon to \$.008 cents per gallon.*)

FY90	—	FY94	\$ 7,564.4	FY98	\$ 28,758.5*
FY91	\$ 8,908.3	FY95	\$ 8,344.3	FY99	\$ 26,409.5
FY92	\$ 8,039.3	FY96	\$ 6,580.6	FY00	\$ 27,709.5
FY93	\$ 7,000.5	FY97	\$ 8,481.2	<b>FY01</b>	<b>\$ 32,467.5</b>
				CHANGE	17.2%

### Waste Tire Management Fee

A \$.25 tire fee is assessed on each new tire sold at retail and each new tire mounted on a vehicle at the time a vehicle is sold. Imposed on tires for self-propelled motor vehicles only.

FY90	—	FY94	\$ 869.2	FY98	\$ 1,253.6
FY91	—	FY95	\$ 1,304.1	FY99	\$ 1,963.8
FY92	—	FY96	\$ 1,266.7	FY00	\$ 3,203.6
FY93	—	FY97	\$ 1,333.2	<b>FY01</b>	<b>\$ 911.8</b>
				CHANGE	-71.5%



## AUDIT DIVISION STATISTICAL STUDY

*The following information is based on 100% of the audits completed, taxpayers assisted and special projects conducted during Fiscal Year 2001, and addresses the requirements set forth by IC 6-8.1-14-4(2).*

See Page 42 for an Index of exhibits and charts included.

- **Taxpayers Served in District Offices, Pg. 35**
- **Special Projects, Pg. 36**
- **Gross Income Tax Violations, Pg. 36**
- **Sales/Use Tax Violations, Pg. 36**
- **Corporate Adjusted Gross Income Tax Violations, Pg. 36**
- **Amounts of Tax Assessed, Pg. 37**
- **Industry/Business Most Frequently in Violation, Pg. 37**
- **Special Tax Violations, Pg. 38**
- **Miscellaneous Code Violations, Pg. 38**
- **Number of Years in Audit Period, Pg. 38**
- **Use of Professional Tax Preparation Assistance, Pg. 38**
- **Filing of Appropriate Tax Returns, Pg. 38**

### ■ **TAXPAYERS SERVED IN DISTRICT OFFICES**

Taxpayer assistance is available in all district offices. Each office has a taxpayer assistance supervisor and assistant taxpayer assistance supervisor who perform taxpayer service functions as well as other office support responsibilities. Some offices have a field investigator who supports taxpayer assistance. Field investigators also perform collection functions in their districts. Contract employees are available throughout the year to support taxpayer assistance.

The "Taxpayer Assistance Report" (Exhibit A) provides the number of taxpayers assisted (in person and by telephone) and the amount of money collected and assessed in each office by the taxpayer assistance program. Exhibit A reveals during Fiscal Year 2001 district offices assisted 178,327 taxpayers in person and 240,460 taxpayers through telephone contact. Total taxpayers served by the district offices are 418,787. The district office in Columbus served 26,168 taxpayers in person, the high-

est number of any district office. The Kokomo District Office served 25,710 taxpayers in person, the second highest total.

The Merrillville District Office served 29,692 taxpayers by telephone while the Fort Wayne District Office served 27,114 taxpayers by telephone. This was the highest number of telephone contacts among the district offices, representing 12% and 11% respectively. The Kokomo District Office served a total of 48,775 taxpayers by telephone and walk-in assistance while Columbus served 47,719 taxpayers by telephone and walk-in assistance.

"Taxpayer Assistance/Special Project Statistics" (Exhibit B) provides the number of hours devoted by field auditors in the district offices to assist taxpayers and conduct special projects. The exhibit reveals that 10,089 auditor hours were channeled in this direction.

## ■ SPECIAL PROJECTS

The Audit Division during the 2001 Fiscal Year pursued one special project, Comply 2001. The Comply 2001 project commenced at the conclusion of Project Comply 2000 and was conducted statewide. These audits identified candidates that were usually small and would normally not meet the criteria for a regular audit examination. The results of Project Comply 2001 are:

Audits Completed	698
Assessments	\$ 667,899
Refunds	\$ (31,946)
Average Hours Per Audit	20.37

## ■ GROSS INCOME TAX VIOLATIONS

The most frequently violated gross income tax rule is 45 IAC 1.1-2-5. This rule defines taxability of gross receipts from services. Violations of this rule accounted for 55 or 16.03% of all violations of the gross income tax rules in the statistics. This was also the most frequently violated rule in the previous four studies, accounting for 14.50% in 2000, 17.42% in 1999, 12.03% in 1998 and 12.26% in 1997.

The second most frequently violated gross income tax rule is 45 IAC 1.1-3-3. This rule defines the interstate commerce exemption as applied to gross receipts. This rule was inappropriately applied according to regulations affording taxpayers more exclusions from gross receipts. 45 IAC 1.1-3-3 accounted for 30 or 8.75% of gross income tax rule violations. This rule was the second most frequently violated gross income tax rule in the 2000 study accounting for 10.42%.

Ranking third and accounting for 27 or 7.87% of the gross income tax rule violations is Rule 45 IAC 1.1-2-4. This rule defines taxable high rate income of utilities, display advertising, sale of real estate, rentals and extension of credit. The third most frequently violated rule for 2000 was 45 IAC 1.1-1-10 at 8.85%. This rule defines receipts to mean the entire gross income or gross receipts received by a taxpayer, actually or constructively, without any deduction of any kind or nature. In 1999 the third most violated rule was 45 IAC 1-1-213 at 5.94% which requires withholding from all payments to a non-resident contractor.

## ■ SALES/USE TAX VIOLATIONS

The most frequently violated sales and use tax rule is 45 IAC 2.2-6-8. Rule 6-8 discusses the determination of a retail merchant's liability for a report period. Violations

of this rule account for 614 or 14.92% of the sales and use tax infractions. This is the first time Rule 8 appears in the top three positions. In 2000 45 IAC 2.2-6-8 accounted for 7.82 of violations and was in fourth position.

The second most frequently violated sales and use tax rule is 45 IAC 2.2-3-20. This rule states that if the seller of tangible personal property for storage, use, or consumption in Indiana fails to collect the appropriate tax, the purchaser of such property must remit use tax directly to the Department. This rule accounted for 500 or 12.15% of sales and use statute violations. 45 IAC 2.2-3-20 was also in second place for the 2000 and 1999 studies accounting for 615 and 522 violations respectively.

The third most violated rule for the 2001 fiscal year is 45 IAC 2.2-3-4. Rule 3-4 imposes use tax on "tangible personal property, purchased in Indiana, or elsewhere in a retail transaction, and stored, used or otherwise consumed in Indiana . . . unless the Indiana state gross retail tax (sales tax) has been collected at the point of purchase." The failure of taxpayers to comply with this rule accounts for 481 or 11.69% of the sales and use tax infractions. This rule ranked first in violations in 2000 and 1999. Fiscal year 2000 showed 694 violations and 1999 showed 658 violations.

45 IAC 2.2-5-8 ranked third in the prior three studies but dropped to fourth position in the 2001 study. Rule 5-8 clarifies the sales and use tax by providing examples of taxable and nontaxable sales of manufacturing machinery, tools, and equipment used in direct production and other activities.

## ■ CORPORATE ADJUSTED GROSS INCOME TAX VIOLATIONS

Corporate taxpayers violated adjusted gross income Rule 45 IAC 3.1-1-8 more than any other rule. This rule states that taxable income as defined in the Internal Revenue Code is modified in several ways to arrive at Indiana adjusted gross income. Violations (119) of this rule accounted for 13.52% of the total violations. Rule 1-8 was the second most violated rule (17.97%) in the 2000 report and (15.37%) in the 1999 report.

Rule 45 IAC 3.1-1-97 was the second most frequently violated rule under this study. This rule addresses the returns and reports that must be filed by adjusted gross tax withholding agents. These violations (115) account for 13.07% of the total violations in 2001. The 2000 and 1999 report revealed Rule 1-97 ranked first for adjusted gross income infractions with a 22.00% and 21.78 violation rate.

The third most frequently violated rule is 45 IAC 3.1-1-9. This rule deals with the adoption of modifications as defined in the Internal Revenue Code. More specifically, it allows a net operating loss as a deduction in computing Indiana Adjusted Gross Income (IRS Code Section 172). This rule accounts for 90 or 10.22% of the violations of adjusted gross income tax rules. The 2000 and 1999 violations for this rule also ranked third with 8.62% and 8.19% respectively.

## ■ AMOUNTS OF TAX ASSESSED

Exhibits C, D and E display the amount of assessments (refunds) and violations of the gross income tax, sales tax and adjusted gross income tax administrative rules, respectively. "Total assessments" for any tax type represent gross assessments less amounts refunded.

The amount assessed or refunded for each of the most frequent violations and the percentage of the amount to total net assessments are presented below.

### **Gross Income Tax—Exhibit C**

	Amount Assessed	Percentage of All Assessments
45 IAC 1.1-2-5	\$ 1,271,330	18.76%
45 IAC 1.1-3-3	\$ (403,443)	(5.95%)
45 IAC 1.1-2-4	\$ 732,711	10.81%

### **Sales/Use Tax—Exhibit D**

	Amount Assessed	Percentage of All Assessments
45 IAC 2.2-6-8	\$ 1,876,572	8.08%
45 IAC 2.2-3-20	\$ 3,921,527	16.89%
45 IAC 2.2-3-4	\$ 2,049,926	8.83%

### **Corporate Adjusted Gross Income Tax—Exhibit E**

	Amount Assessed	Percentage of All Assessments
45 IAC 3.1-1-8	\$10,486,117	47.54%
45 IAC 3.1-1-97	\$ 455,547	2.07%
45 IAC 3.1-1-9	\$ (267,782)	(1.21%)

## ■ INDUSTRY/BUSINESS MOST FREQUENTLY IN VIOLATION

### **Gross Income Tax**

For the ninth consecutive time, taxpayers engaged in manufacturing most frequently violated the gross income tax rules. This group committed 95 violations or 27.70% of the total violations. The gross income tax rule most frequently violated by this group of taxpayers was 45 IAC 1.1-2-5. This rule defines the taxability of gross receipts from services.

The second largest number of gross income tax violations was committed by taxpayers providing information, publishing, telecommunications, finance, rental, insurance, real estate, leasing and professional services. This group committed 72 infractions or 20.99% of the total violations. The service industry ranked second in the 1995 and 1999 studies. Wholesalers and retailers were the second most frequent violators of these rules in the 1994, 1996, 1997, 1998 and 2000 studies.

### **Sales and Use Tax**

For the 2001 reporting period, taxpayers providing information, publishing, telecommunications, finance, rentals, insurance, leasing and professional services was the industry with the most frequent violations. They accounted for 957 violations or 23.26% of the total sales and use tax violations. The most frequently violated rule by these taxpayers was 45 IAC 2.2-6-8, which deals with determining a retail merchant's liability.

Businesses in the repair, personal services and other service industries were the second most frequent violators of the sales and use tax rules. There were 904 violations committed by this group representing 21.97% of the total violations. The rule most frequently violated by this group was 45 IAC 2.2-3-20, which clarifies when use tax must be remitted to the Department of Revenue.

### **Adjusted Gross Income Tax**

Repair, personal service and other service providers with 270 infractions, were the most frequent violators of adjusted gross income tax rules. This figure represents 30.68% of the total adjusted gross income tax violations.

Manufacturers were the second most frequent violators of the adjusted gross income tax rules. They committed 183 infractions or 20.80% of the adjusted gross income tax violations.

The repair, personal service and other service industries violated rule 45 IAC 3.1-1-1 and 2 the most times. These regulations define gross income and adjusted gross income for individual taxpayers. The rule most violated by the manufacturers was 45 IAC 3.1-1-8. It deals with IRS

Code modifications to arrive at Indiana adjusted gross income.

## ■ SPECIAL TAX VIOLATIONS

Exhibit G provides the number of special tax rule violations and the amount of special tax assessments and refunds.

Article VIII (citation R800 on exhibit) of the International Fuel Tax Agreement (IFTA) was the most frequently violated special tax item in the study. It specifies the taxable event is the consumption of motor fuels in the propulsion of qualified motor vehicles, except fuel consumed that is exempt from taxation by a jurisdiction. All motor fuel acquired that is normally subject to consumption tax is taxable unless proof to the contrary is provided by the licensee. Article VIII was violated 169 times and yielded \$176,759 in net assessments for the State of Indiana. This represents 25.80% of total violations.

The exhibit also reveals that Article X (citation R1000 on exhibit) of the International Fuel Tax Agreement (IFTA) was the second most frequently violated section of the special tax statutes. This Article discusses how taxpayers can obtain credit for tax paid on purchases of fuel. It also lists the records needed to substantiate the refund request. This article was violated 167 times accounting for 25.50% of the total violations. These violations resulted in a net refund of (\$39,650).

The taxpayer group most frequently in violation of the special tax statutes and IFTA Articles was the wholesale, retail and transportation industries. This group committed 318 violations accounting for 48.55% of the total infractions. Article VIII of the International Fuel Tax Agreement was most frequently violated by the wholesale, retail and transportation industries.

## ■ MISCELLANEOUS CODE VIOLATIONS

Exhibit F provides the number of violations and assessment amounts of the following:

Financial Institutions Tax  
Tax Administration  
Food and Beverage Tax  
Innkeeper's Tax

A review of this exhibit reveals that 45 IAC 15-9-2 was violated 43 times. This regulation defines the statute of limitations as it applies to refunds. These violations yielded \$403,946 in net assessments.

The 12 violations of IC 6-8.1-4-2 yielded a total of (\$70,831) in refunds. This code section addresses access to accounting records of a business and the use of sampling techniques for auditing purposes.

## ■ NUMBER OF YEARS IN AUDIT PERIOD

The audit period was three years.

## ■ USE OF PROFESSIONAL TAX PREPARATION ASSISTANCE

The services of professional preparers were used in the preparation of 75.50% of the corporate income tax returns and 11% of the sales tax returns. These findings remain consistent with the previous years' reports.

## ■ FILING OF APPROPRIATE TAX RETURNS

Rule 45 IAC 3.1-1-92 (Exhibit E) requires qualifying corporations to make estimated tax payments. Taxpayers in violation of this rule either failed to file estimated income tax returns or failed to remit the appropriate amount of tax. For the fiscal year ending in 2001, the study indicates 18 violations of this rule, resulting in assessments in the amount of \$83,726 and refunds totaling (\$399,688).

Indiana Code 6-8.1-10-2.1 (Exhibit F) revealed no violations during the 2001 study period. This section specifies the penalty to be imposed if a taxpayer fails to file an appropriate return or pay the full amount of tax due. Violations of this section in the 2000 and 1999 studies were zero while the 1998 report showed 1 violation.

## RECOMMENDATIONS FOR IMPROVING TAXPAYER COMPLIANCE AND DEPARTMENT ADMINISTRATION

- Taxpayer's Concerns and Suggestions to Department, Pg. 39
- Improvements in the Training of Department Employees, Pg. 40
- Improvements in Taxpayer Communication and Education, Pg. 41
- Increases in the Enforcement Capability of the Department, Pg. 41

### ■ TAXPAYERS' CONCERNS AND SUGGESTIONS TO DEPARTMENT

On June 19, 2001, the Indiana Department of Revenue conducted its twelfth Annual Public Hearing in accordance with the Taxpayer's Bill of Rights since it was adopted in 1989. State Revenue Commissioner Kenneth L. Miller presided at the Indianapolis meeting. As in previous years, taxpayers were provided the option of attending the hearing in person or submitting written comments.

#### ***Military Deduction***

A retired Air Force Master Sergeant wrote to point out that the average military retirement age for military is 38 years of age. He noted that the \$2,000 Military Service Deduction couldn't be taken until age 60 and felt that "it would only be fair to allow these individuals to claim this reduction from the date of their retirement, and not need to wait till they are the age of 60."

A second letter was also received on the same subject; the taxpayer said, "it is unfair for the State to continue to tax my retired military income." He also stated that he knew of no other state that taxed military retirees.

#### ***Disability Exemption***

A Hoosier taxpayer wrote to say that he appreciated the \$5,200 disability exemption, but now that he is 65 he no longer qualified. He did point out that he qualified for other exemptions due to his age, but he received a better tax break with the disability exemption. He also noted that "in your fairness and kindness, consider extending the \$5,200 disability exemption for 65 and over without age cut off." The taxpayer received information from the Department that explained the history of the disability retirement deduction (IC 6-3-2-9), which was passed by the Indiana General Assembly in 1985. This deduction is based on the same criteria used by the Internal Revenue Service (IRS) to figure their disability deduction. One of the limitations used by the IRS, and subsequently by Indiana, is that an individual must not have reached

age 65 before the end of the tax year. This is because once the individual reaches age 65, the disability is taxed under the federal pension rules. In most instances, Indiana mirrors federal guidelines.

#### ***Indiana Partnership Long Term Care Policy Premiums Deduction***

A taxpayer wrote regarding the Indiana Partnership Long Term Care Policy Premiums Deduction, a new deduction on the 2000 individual income tax return. This deduction is available for the amount of premiums paid during 2000 for Indiana Partnership long term care insurance, but is restrictive since the policy must contain language that it qualified under the Indiana Long Term Care Program for Medicaid Asset Protection.



## ■ IMPROVEMENTS IN THE TRAINING OF DEPARTMENT EMPLOYEES

### ***Audit Division***

Regional seminars were presented to the instate auditors and the out-of-state auditors as part of the Audit Division's Continuing Education Program during the fiscal year ending June 2001. Topics presented included Domestic and Foreign Source Dividends, New Gross Income Tax Regulations, Financial Institutions Tax, Charity Gaming Audit Techniques, Safeguarding Federal Tax Information and Statistical Sampling.

The Special Tax auditors held their annual meeting in November 2000. The discussion subjects included Verification of Payment in the Fuel Tax System, Using the Internet for Tax Forms, Report Writing and Tax Court Cases.

A group of Special Tax Auditors were hired at the beginning of the fiscal year. They were trained in auditing Motor Carrier, International Fuel Tax Agreement and International Registration Plan and report writing.

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### ***Personnel Division***

#### *Overview*

During the period of July 1, 2000, through June 30, 2001, the Training Team presented 145 classes to a total of 1,769 participants.

#### *Accomplishments/Highlights*

Sessions were offered in the following topics:

ABCs of Discrimination for Employees  
ABCs of Discrimination for Supervisors  
AR 1 (Accounts Receivable)  
AR 2  
AR 3  
AR 4  
AR Special Needs  
Cultural Diversity  
Customer Service  
Effective Writing  
E-mail Basics  
Kids in a Drug-free Society  
Myers-Briggs Type Indicator/Interpersonal Dynamics  
New Employee Orientation 101  
New Employee Orientation 102  
New Employee Orientation for Intermittent Employees  
Performance Appraisal  
Progressive Discipline  
RPS Advanced (Returns Processing System)  
RPS Basics  
RPS Intermediate  
Supervisory Training Series  
TIPS Inquiry (Taxpayer Information Profile System)

New classes or newly revised classes included:

AR 1  
AR 2  
AR 3  
AR 4  
AR Special Needs  
Effective Writing  
E-mail Basics  
Kids in a Drug-free Society  
Myers-Briggs Type Indicator/Interpersonal Dynamics  
Supervisory Training Series

The most important project of the year was the development of four levels of AR classes. During the period, 29 AR classes were offered to a total of 428 students.

Three trainers received certification to teach the Kids in a Drug-free Society (KIDS) series of classes.

All trainers were trained in two new software programs for tracking/scheduling training. Trainers completed data entry of all available training records for all current Revenue employees.

#### ***Current Project Highlights***

Classes under development or in revision as of the end of the annual review period:

ABCs of Discrimination for Employees  
ABCs of Discrimination for Supervisors  
Customer Service  
Sexual Harassment Prevention for Employees  
Sexual Harassment Prevention for Supervisors  
Train the Trainer  
Violence in the Workplace for Employees  
Violence in the Workplace for Supervisors  
Additional topics for Effective Writing  
Additional topics for Supervisory Training Series

The Sexual Harassment component of the Quarterly ABCs of Discrimination class is being split off to be a separate class. This will allow the emphasis that the subject deserves. A Sexual Harassment refresher is also in the works.

Trainers are in the process of developing new RPS scenarios so that classes may resume. Classes affected include RPS Inquiry, RPS Basics, RPS Intermediate, and RPS Advanced.

The training curriculum and the training catalog are being prepared.

## ■ IMPROVEMENTS IN TAXPAYER COMMUNICATION AND EDUCATION

2001 marked the Department's first venture into area high schools in a number of years, working to familiarize students with the various available filing methods and the importance of accuracy and timeliness on tax returns. The ease of use of the Department's web site was also stressed, since many high school students need to file their returns early for financial paperwork for college applications.

Flyers advertising the Department's Web site and the most efficient ways to file were mailed to all Indiana high schools, as well as colleges, universities and vocational schools. Train the Trainer seminars were conducted by the Department on two Indiana college campuses to train students to train other volunteers in tax assistance.

Outreach continued with the tax practitioner community through quarterly focus group meetings with CPA's, as well as membership on the QFIT (Quality for Indiana Taxpayers) Board. These groups provide valuable feedback on how the Department's notices and correspondence are perceived by Indiana taxpayers. These groups also provide insight into tax and programming trends. They provide meaningful feedback and alert the Department to programming errors and oversights.

Again this year as in the past, a training hand book was developed and distributed by the Public Affairs staff for the Volunteer Income Tax Assistance and Tax Counseling for the Elderly Programs (VITA/TCE). This program reaches approximately 22,000 people, who receive income tax preparation at various sites around the State. In addition, a Public Affairs staff member serves as a trainer for VITA/TCE volunteers.

Again this year, the Taxpayer Advocate Office provided large print tax forms, audiotapes and instructions for the IT 40 for sight-impaired taxpayers; and TDD telephone service continued to be available for hearing-impaired taxpayers.

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## ■ INCREASES IN THE ENFORCEMENT CAPABILITY OF THE DEPARTMENT

The Criminal Investigation Division is currently involved in a cooperative effort with the Indiana State Police Motor Carrier Enforcement Division targeting oversize/overweight permit violations. The Division has recently purchased the necessary supplies to enable all I.S.P. Motor Carrier Inspectors to conduct dyed fuel inspections.

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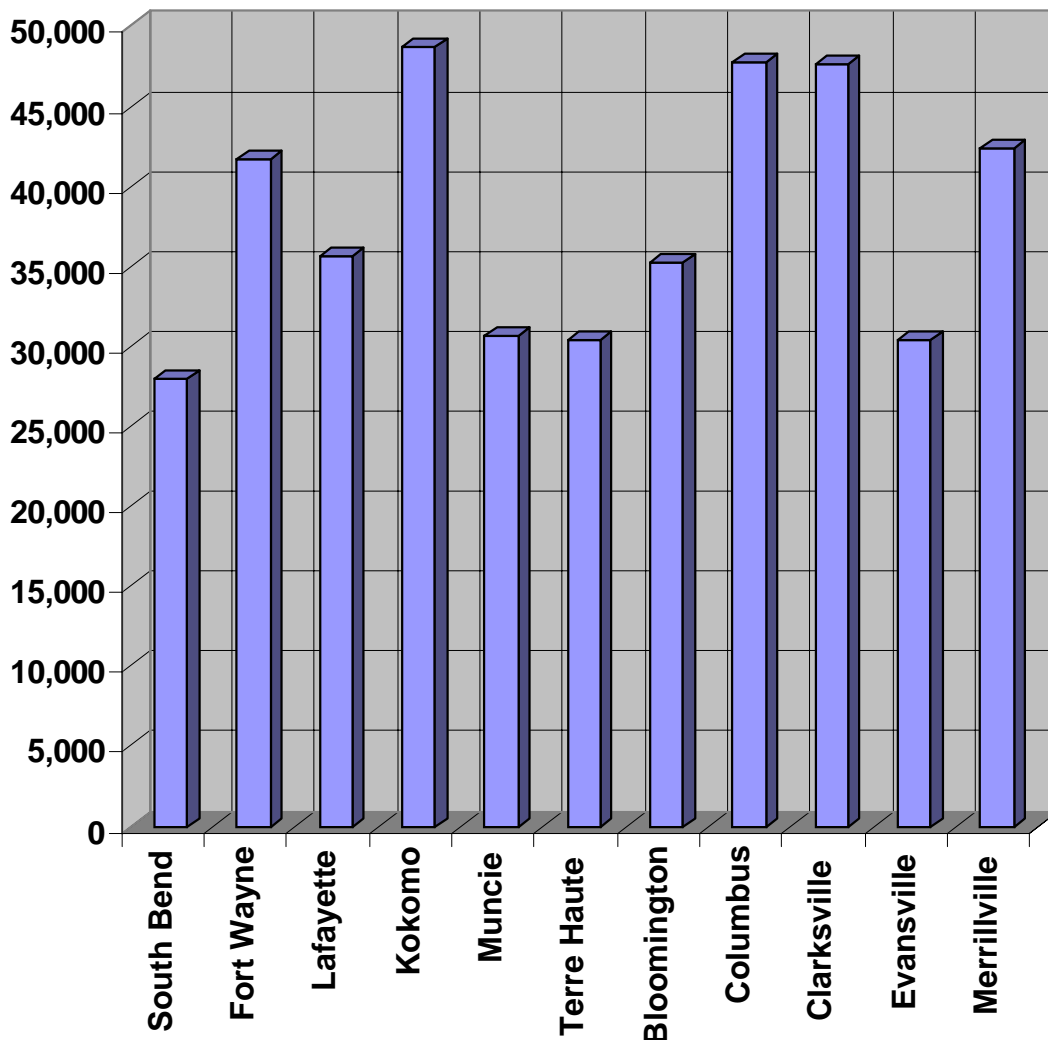
# EXHIBITS

<b><u>AUDIT DIVISION -- FY01</u></b>		
Taxpayer Assistance Report District Offices	<b>Exhibit A</b>	Page 43
Taxpayers Served in District Offices		Page 43
Field Auditors Taxpayer Assistance/Special Projects	<b>Exhibit B</b>	Page 44
STANDARD INDUSTRIAL CODES		Page 44
Dollars Assessed in 45 IAC Citations by Industrial Code Gross Income Tax Audits	<b>Exhibit C</b>	Pages 45
Gross Income Tax Violations by Industry Group Gross Income Tax Dollars Assessed by Industry Group		Page 46 Page 46
Dollars Assessed in 45 IAC Citations by Industrial Code Sales and Use Tax Audits	<b>Exhibit D</b>	Pages 47-48
Sales and Use Tax Violations by Industry Group Sales and Use Tax Dollars Assessed by Industry Group		Page 49 Page 49
Dollars Assessed in 45 IAC Citations by Industrial Code Adjusted Gross Income Tax Audits	<b>Exhibit E</b>	Pages 50-51
Adjusted Gross Income Tax Violations by Industry Group Adjusted Gross Income Tax Dollars Assessed by Industry Group		Page 52 Page 52
Dollars Assessed in Miscellaneous Code Violations by Industrial Code	<b>Exhibit F</b>	Page 53
Miscellaneous Code Violations by Industry Group Miscellaneous Code Dollars Assessed by Industry Group		Page 54 Page 54
Dollars Assessed in Code and Article Citations by Industrial Code Special Tax Audits	<b>Exhibit G</b>	Page 55
Special Tax Violations by Industry Group Special Tax Dollars Assessed by Industry Group		Page 56 Page 56
<b><u>OTHER</u></b>		
2000 Individual Returns Processed		Page 57

**EXHIBIT A**  
**Taxpayer Assistance Report - Fiscal Year 2001**  
**Audit Division District Offices**

Exhibit A					Taxpayer Assistance Report - Fiscal Year 00 - 01								
					Audit Division District Offices								
		South Bend	Fort Wayne	Lafayette	Kokomo	Muncie	Terre Haute	Bloomington	Columbus	Clarksville	Evansville	Merrillville	Totals
Walk-in Assistance		12,204	14,646	16,088	25,710	8,451	11,763	16,586	26,168	22,732	11,284	12,695	178,327
Telephone Assistance		15,811	27,114	19,516	23,065	22,261	18,686	18,702	21,551	24,903	19,159	29,692	240,460
Totals		28,015	41,760	35,604	48,775	30,712	30,449	35,288	47,719	47,635	30,443	42,387	418,787
Collected/Assessed		\$2,295,879	\$1,429,928	\$1,608,060	\$5,031,359	\$2,646,381	\$1,894,499	\$3,060,901	\$2,471,737	\$3,344,953	\$2,047,866	\$3,647,447	\$29,479,010

**TAXPAYERS SERVED IN DISTRICT OFFICES**



## EXHIBIT B

### FIELD AUDITORS TAXPAYER ASSISTANCE/SPECIAL PROJECTS

		Total Hours
Region I	South Bend, Fort Wayne, Merrillville	2,144
Region II	Lafayette, Kokomo, Muncie	1,427
Region III*	Indianapolis	1,019
Region IV	Terre Haute, Bloomington, Columbus, Clarksville, Evansville	3,027
Region V	Out of State	0
Region VI	Special Tax Auditors	3,472
	Total	11,089

\*Represents special project only. Taxpayer assistance provided by Taxpayer Services Division

This field auditor information was gathered using information from regional reports indicating hours charged to Administrative Special Projects and Administrative Taxpayer Services.

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## STANDARD INDUSTRIAL CODES

The Standard Industrial Codes (SIC) used in the Audit Division reports and exhibits are based on the North American Industry Classification System (NAICS). Refer to the following text to explain the industry classification numbering system.

<u>Class</u>	<u>Explanation</u>
1	Agricultural; Forestry
2	Mining; Oil and Gas Extraction; Construction
3	Manufacturing
4	Wholesale; Retail; Transportation
5	Information; Publishing; Telecommunications; Finance; Rental; Insurance; Real Estate; Leasing; Professional Services
6	Education; Health Services
7	Arts; Entertainment; Recreation; Food Service; Accommodations
8	Repair; Personal Services; Other Services
9	Public Administration



# EXHIBIT C

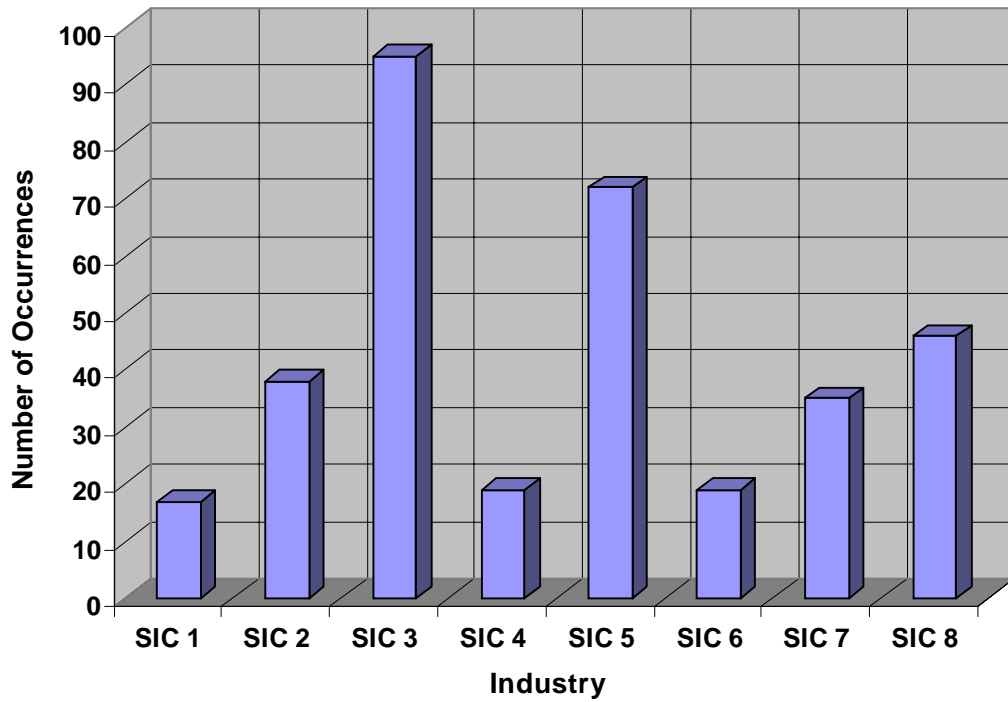
## Dollars Assessed in IAC Citations by Industrial Code

### Gross Income Tax Audits

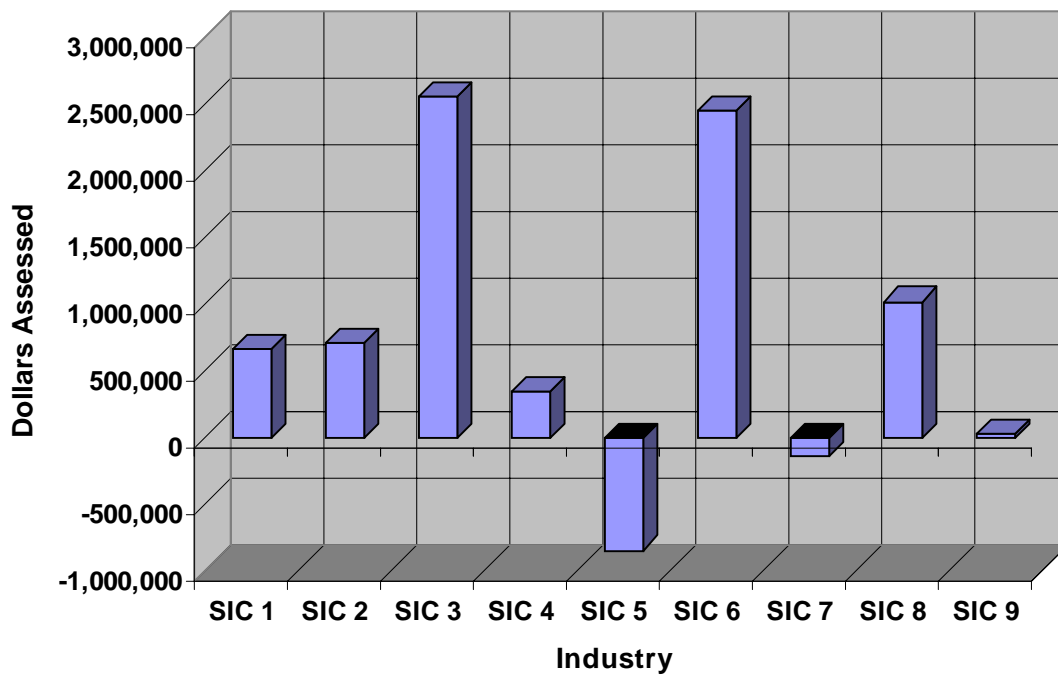
Sum of Amount	SIC *									
Citation	1	2	3	4	5	6	7	8	9	Grand Total
45 IAC 1.1-1-10		(2,180)	82,505		(14,170)	290,744	(6,298)	60,817		411,418
45 IAC 1.1-1-11					374	2,258				2,632
45 IAC 1.1-1-15			(316,452)							(316,452)
45 IAC 1.1-1-17					1,968					1,968
45 IAC 1.1-1-18				4,332	17,188		(2,100)	33,107		52,527
45 IAC 1.1-1-19		100			51,216					51,316
45 IAC 1.1-1-2	188,059									188,059
45 IAC 1.1-1-20			(163,215)				2,486			(160,729)
45 IAC 1.1-1-21			5,818							5,818
45 IAC 1.1-1-22		3,175			3,846		22,726	102,301		132,048
45 IAC 1.1-1-23		8,460	48,494		69,510					126,464
45 IAC 1.1-1-24		4,554	18,034							22,588
45 IAC 1.1-1-3		91,651	(8,861)		(4,221)		(8,205)			70,364
45 IAC 1.1-1-4		97,602	18,021		12,000	31,041	23,904	36,008		218,576
45 IAC 1.1-1-5			691		1,100	700	223			2,714
45 IAC 1.1-1-6			26,962			814,993	2,505			844,460
45 IAC 1.1-1-7					2,633					2,633
45 IAC 1.1-1-8		2,175			756					2,931
45 IAC 1.1-1-9	1,541									1,541
45 IAC 1.1-2-1		51,173	37,267		(1,802)		(464,593)	37,477		(340,478)
45 IAC 1.1-2-10		(260)	13,792	59,147	123,229			266,464		462,372
45 IAC 1.1-2-12	181,505	(8,335)						40,300		213,470
45 IAC 1.1-2-13			6,040	5,018	328	4,858		493	27,122	43,859
45 IAC 1.1-2-16			(74)							(74)
45 IAC 1.1-2-19			(36,000)		117,096					81,096
45 IAC 1.1-2-2		243,373	73,398	113,804	30,310	(9,041)		1,755		453,599
45 IAC 1.1-2-20			(2,800)							(2,800)
45 IAC 1.1-2-3			2,000					(23,000)		(21,000)
45 IAC 1.1-2-4	231,400	153,089	129,559	(977)	47,568	45,136	38,123	88,813		732,711
45 IAC 1.1-2-5	(1,113)	107,309	370,676	(136)	29,283	345,248	193,422	226,641		1,271,330
45 IAC 1.1-2-6	5									5
45 IAC 1.1-2-8		21,480	1,461,911	218,763			78,840	6,000		1,786,994
45 IAC 1.1-3-1			(5,038)							(5,038)
45 IAC 1.1-3-10				(338)						(338)
45 IAC 1.1-3-11	51,414			(41,259)	(43,147)		(2,297)	(25,164)		(60,453)
45 IAC 1.1-3-12					(21,346)					(21,346)
45 IAC 1.1-3-14		6,206			4,000					10,206
45 IAC 1.1-3-2			20,704							20,704
45 IAC 1.1-3-3		(70,965)	61,492		(1,271,842)	918,434	(9,595)	(30,967)		(403,443)
45 IAC 1.1-3-4		(9,194)								(9,194)
45 IAC 1.1-3-6			30	(9,853)				43		(9,780)
45 IAC 1.1-3-8							875			875
45 IAC 1.1-3-9								1,347		1,347
45 IAC 1.1-4-1			(42)		(48)					(90)
45 IAC 1.1-4-2		496	(290)							206
45 IAC 1.1-4-3			11,800							11,800
45 IAC 1.1-4-5			(14,969)							(14,969)
45 IAC 1.1-5-1			(21,171)		(102)			2,000		(19,273)
45 IAC 1.1-5-2	13,464		144,293							157,757
45 IAC 1.1-5-3			607,916					1,700		609,616
45 IAC 1.1-5-7	(1,537)									(1,537)
45 IAC 1.1-5-8		2,221	4,308	247	214					6,990
45 IAC 1.1-6-2			(23,138)	(1,498)	159	2,000	(7,128)	189,471		159,866
Grand Total	664,738	702,130	2,553,661	347,250	(843,900)	2,446,371	(137,112)	1,015,606	27,122	6,775,866

\* See accompanying text for detail of SIC categories

**Gross Income Tax Violations by Industry Group**



**Gross Income Tax Dollars Assessed by Industry Group**



**EXHIBIT D**  
**Dollars Assessed in 45 IAC Citations by Industrial Code**  
**Sales and Use Tax Audits**

Sum of Amount	SIC *								
Citation	1	2	3	4	5	6	7	8	9 Grand Total
45 IAC 2.2-1-1		651,750	11,146	4,532	593		397	2,419	670,837
45 IAC 2.2-2-1	310	13,819	3,810	3,621	17,649		4,244	13,919	57,372
45 IAC 2.2-2-2	2,615	10,365	11,363	54,646	90,893	318	1,247	(339)	171,108
45 IAC 2.2-2-3							(45)		(45)
45 IAC 2.2-2-4								2,430	2,430
45 IAC 2.2-3-10			2,516		(9,976)				(7,460)
45 IAC 2.2-3-11								1,119	1,119
45 IAC 2.2-3-12	50,138	80,147	(640)	1,163	10,408		3,848	23,707	168,771
45 IAC 2.2-3-13	4,033	4,826	5,162	5,699	16,525	6,909	1,221	(38,190)	6,185
45 IAC 2.2-3-14			(67)		(718)		(665)	(1,013)	(2,463)
45 IAC 2.2-3-15	2,349		9,820	51,090	5,263		460	(4,144)	64,838
45 IAC 2.2-3-16	1,482			163	753	157		31,841	34,396
45 IAC 2.2-3-18		788		2,357	8,294		1,810	11,999	25,248
45 IAC 2.2-3-19			4,371	6,955	16,558				27,884
45 IAC 2.2-3-2			(20,767)					(33,947)	(54,714)
45 IAC 2.2-3-20	82,877	71,635	303,216	143,692	2,807,065	31,064	63,470	417,000	3,921,527
45 IAC 2.2-3-21		41,570			574				42,144
45 IAC 2.2-3-22			338	1,468		12,844			14,650
45 IAC 2.2-3-24			44,315		19			10,599	54,933
45 IAC 2.2-3-25	712	736	1,442	688	40,554		32	(536)	43,628
45 IAC 2.2-3-26						4,476		76	4,552
45 IAC 2.2-3-27				393	320			5,453	6,166
45 IAC 2.2-3-3			44		6,182		(333)		5,893
45 IAC 2.2-3-4	117,733	209,406	309,541	270,659	744,020	55,316	104,833	238,418	2,049,926
45 IAC 2.2-3-5	3,000		1,665		63,193			1,033	68,891
45 IAC 2.2-3-7	1,483								1,483
45 IAC 2.2-3-8	(2,837)	52,418	9,488	983	8,771	4,342		33,510	106,675
45 IAC 2.2-3-9	36,197	68,983	10,617	(9,621)	42,422		(2,318)	23,340	169,620
45 IAC 2.2-4-1	48,702	19,831	3,243	30,314	461,916	134	2,356	12,077	578,573
45 IAC 2.2-4-11		467			272		160	10,393	11,292
45 IAC 2.2-4-12		1,487							1,487
45 IAC 2.2-4-13	(260)	(41,510)	(61,495)	(12,637)	(68,806)	(1,650)	(245)	(92,207)	(278,810)
45 IAC 2.2-4-14								16,713	16,713
45 IAC 2.2-4-2	1,682	(225)	(7,866)	3,974	3,595	3,893	42,682	20,738	68,473
45 IAC 2.2-4-20					137				137
45 IAC 2.2-4-21	(970)	3,412	4,415	215	68		3,781		10,921
45 IAC 2.2-4-22	1,425	26,982	(8,555)	3,034	4,712		730	355	28,683
45 IAC 2.2-4-23	4,350	107	11,382						15,839
45 IAC 2.2-4-24		(125)							(125)
45 IAC 2.2-4-25	588	344							932
45 IAC 2.2-4-26	112,387	20,641	4,406	5,215	10,657		175	112,292	265,773
45 IAC 2.2-4-27	20,861	(33,535)	79,853	72,310	243,781	18,982	67,360	244,530	714,142
45 IAC 2.2-4-28				1,133	693				1,826
45 IAC 2.2-4-3			(67)	3,179	3,606		21		6,739
45 IAC 2.2-4-4				(30)				(57)	(87)
45 IAC 2.2-4-5							2,131	361	2,492
45 IAC 2.2-4-6	2,920						266		3,186
45 IAC 2.2-4-8		871			5,747		24,889	1,072	32,579
45 IAC 2.2-4-9					4,642	600			5,242
45 IAC 2.2-5-10			16,257	333	(13,550)	(23,372)	(1,130)	2,873	(18,589)
45 IAC 2.2-5-11			(1,242)					(3,753)	(4,995)
45 IAC 2.2-5-12	(14,112)	1,508	(41,932)	(762)	(25,132)		26,173	39,038	(15,219)
45 IAC 2.2-5-13	323							(5,728)	(5,405)

\* See accompanying text for detail of SIC categories

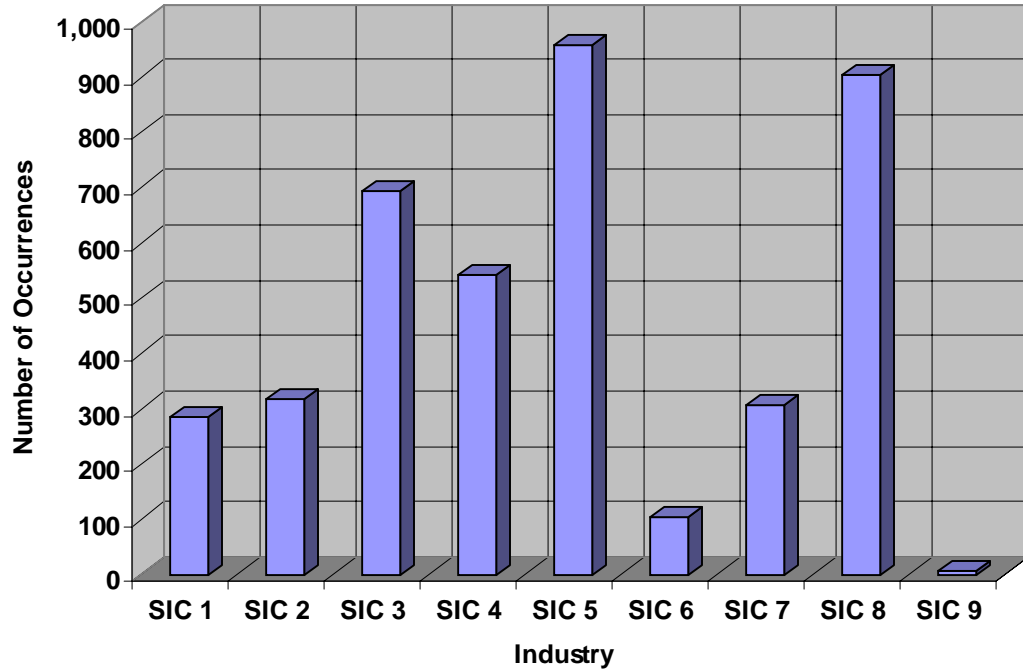
# EXHIBIT D

## Dollars Assessed in 45 IAC Citations by Industrial Code Sales and Use Tax Audits

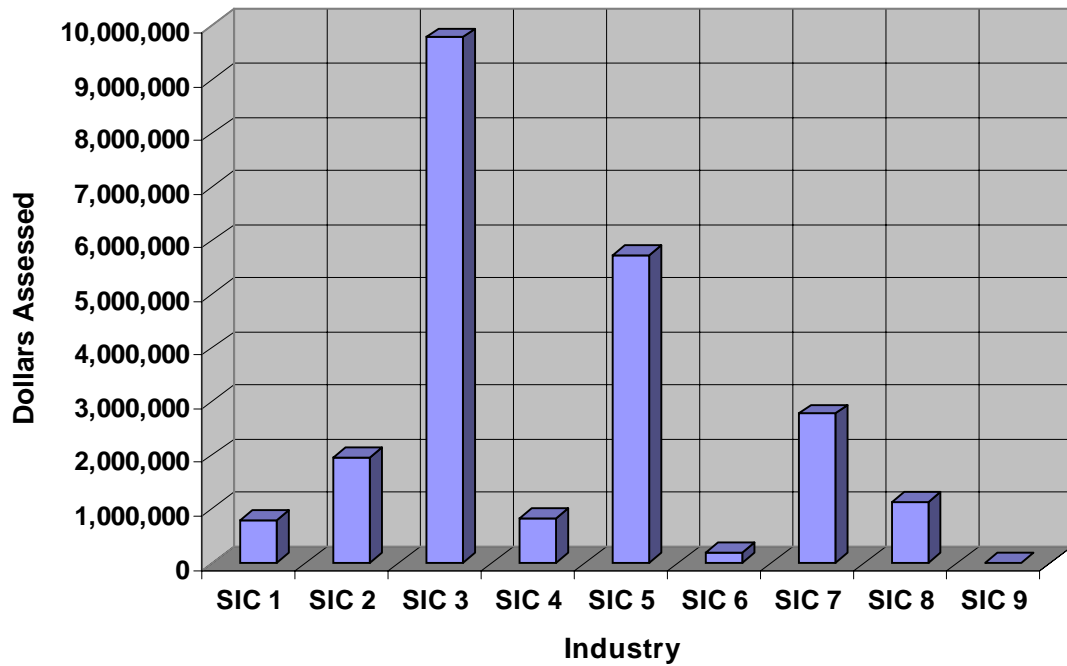
Sum of Amount	SIC *									
Citation	1	2	3	4	5	6	7	8	9	Grand Total
45 IAC 2.2-5-14	(560)	331	(15,994)	8,123	(1,694)			(810)		(10,604)
45 IAC 2.2-5-15	(81,173)	(7,309)	(15)	(2,205)	(139,449)	(117)	(3,472)	(17,030)		(250,770)
45 IAC 2.2-5-16		(2,127)	65,750	33,340	(4,817)		(168)	(3,341)		88,637
45 IAC 2.2-5-19		(173)								(173)
45 IAC 2.2-5-20					4,325			32		4,357
45 IAC 2.2-5-24								(9,690)		(9,690)
45 IAC 2.2-5-26	433	1,719	9,693	1,033	7,732	2,808	410	2,127		25,955
45 IAC 2.2-5-27						(10,258)		(5,035)		(15,293)
45 IAC 2.2-5-28								(6,820)		(6,820)
45 IAC 2.2-5-3	260			(497)	970	1,240		2,295		4,268
45 IAC 2.2-5-33								(68)		(68)
45 IAC 2.2-5-34		(17,498)			(457)					(17,955)
45 IAC 2.2-5-35						(286)		(823)		(1,109)
45 IAC 2.2-5-36					14,635	12,994		106,279		133,908
45 IAC 2.2-5-38					(5,476)			(4,846)		(10,322)
45 IAC 2.2-5-39				(99)	(8,595)		(2,139)	(94,503)		(105,336)
45 IAC 2.2-5-4			411	40,759	113		(357)	7,057		47,983
45 IAC 2.2-5-40			4	1,118	8,399		3,564	632		13,717
45 IAC 2.2-5-42	205		156	704	497		277	86		1,925
45 IAC 2.2-5-43			93				17,118	10,926		28,137
45 IAC 2.2-5-45			396	46	156	408		395		1,401
45 IAC 2.2-5-54		20,731	14,867	(9,853)	24,160			(235,286)		(185,381)
45 IAC 2.2-5-55	260									260
45 IAC 2.2-5-57				61				1,060		1,121
45 IAC 2.2-5-6				(373)	(35)			2,940		2,532
45 IAC 2.2-5-60								5		5
45 IAC 2.2-5-61	2,710	124,309	(24,139)	(14,324)		5,449	2,023,113			2,117,118
45 IAC 2.2-5-62			315	(2,571)	(950)			3,717		511
45 IAC 2.2-5-68								152		152
45 IAC 2.2-5-7		4,451								4,451
45 IAC 2.2-5-70			(2,815)	(134)				(111)		(3,060)
45 IAC 2.2-5-8	7,363	453,525	8,784,578	(9,655)	285,681	550	52,616	(126,123)		9,448,535
45 IAC 2.2-5-9	(16,725)	81,145			5			14,401		78,826
45 IAC 2.2-6-1	10,838	1,627	15,270	4,339	267,405	8,305	33,252	100,532		441,568
45 IAC 2.2-6-12				21,438	(6,982)			(4,492)		9,964
45 IAC 2.2-6-14	230	(4,278)	(1,022)	6,622	(20,320)		(398)	11,438		(7,728)
45 IAC 2.2-6-15	800				536					1,336
45 IAC 2.2-6-16				4,740						4,740
45 IAC 2.2-6-4			(98)							(98)
45 IAC 2.2-6-6				(120,002)				16,396		(103,606)
45 IAC 2.2-6-8	239,660	92,162	192,360	202,936	513,374	46,932	296,650	290,720	1,778	1,876,572
45 IAC 2.2-7-1					21,872					21,872
45 IAC 2.2-7-2				(594)	(1,550)					(2,144)
45 IAC 2.2-7-3				1,234						1,234
45 IAC 2.2-7-6				8,750						8,750
45 IAC 2.2-7-7				(248)						(248)
45 IAC 2.2-8-12	162,972	788	43,268	14,664	188,148		2,396	(22,316)	1,170	391,090
45 IAC 2.2-8-6					212		48	2,032		2,292
45 IAC 2.2-8-8								168		168
45 IAC 2.2-9-2	470									470
45 IAC 2.2-9-4					72,260			4,044		76,304
45 IAC 2.2-9-7				4,800						4,800
Grand Total	805,731	1,956,101	9,788,857	838,918	5,721,855	182,038	2,770,460	1,143,531	4,456	23,211,947

\* See accompanying text for detail of SIC categories

**Sales and Use Tax Violations by Industry Group**



**Sales and Use Tax Dollars Assessed by Industry Group**



**EXHIBIT E**  
**Dollars Assessed in 45 IAC Citations by Industrial Code**  
**Adjusted Gross Income Tax Audits**

Sum of Amount	SIC *									
Citation	1	2	3	4	5	6	7	8	9	Grand Total
45 IAC 3.1-1-1	32,620	3,885	2,014	23,974	9,146		34,309	96,209	930	203,087
45 IAC 3.1-1-101		2,362	(9,720)							(7,358)
45 IAC 3.1-1-103				(1,866)	(176)		(309)	(220)		(2,571)
45 IAC 3.1-1-106			1,414							1,414
45 IAC 3.1-1-107			22,355							22,355
45 IAC 3.1-1-108							2,087,166	1,952,857		4,040,023
45 IAC 3.1-1-109	1,192		6,845	206	1,136		4,101,314	33,077		4,143,770
45 IAC 3.1-1-110		210,040	80,783		1,670					292,493
45 IAC 3.1-1-111			(53,311)		8,442	2,459,753		17,873		2,432,757
45 IAC 3.1-1-150		(4,023)	(18,415)	(21,613)	(1,180)		(313)	(7,219)		(52,763)
45 IAC 3.1-1-151					139,307					139,307
45 IAC 3.1-1-153		(2,274)	180,140	776		227,555	4,681	176,350		587,228
45 IAC 3.1-1-17		4,902						(731)		4,171
45 IAC 3.1-1-19			1,292							1,292
45 IAC 3.1-1-2	8,855			3,298	38,674		609	73,762	599	125,797
45 IAC 3.1-1-21								(12,049)		(12,049)
45 IAC 3.1-1-23								120		120
45 IAC 3.1-1-25							169	5,608		5,777
45 IAC 3.1-1-29	38,253	87,082	90,112	93,002	147,301	1,369		18,992		476,111
45 IAC 3.1-1-3				64			112	75		251
45 IAC 3.1-1-32					(3,015)					(3,015)
45 IAC 3.1-1-34			377							377
45 IAC 3.1-1-35			56,263							56,263
45 IAC 3.1-1-36			(96,739)	(156,000)						(252,739)
45 IAC 3.1-1-37	(1,157)	(17,255)	(426)	20,722	33,620			19,260		54,764
45 IAC 3.1-1-38			(27,000)	73	(13,089)			53,101		13,085
45 IAC 3.1-1-39	(735)	10,872	4,728		(3,207,538)	665	676			(3,191,332)
45 IAC 3.1-1-40	3,024	101,331	(12,154)	(138)				(79)		91,984
45 IAC 3.1-1-41			(1,574)		10,143		(1,000)			7,569
45 IAC 3.1-1-43	6,208		10,996							17,204
45 IAC 3.1-1-45		16,442		(6,056)	(102,840)			10,100		(82,354)
45 IAC 3.1-1-46		4,433								4,433
45 IAC 3.1-1-47	513		(150)		25,000		2,700	(141)		27,922
45 IAC 3.1-1-48			1,386	150	2,775					4,311
45 IAC 3.1-1-49			34		10,081		425			10,540
45 IAC 3.1-1-5	209	(1,695)	(2,944)	1,098	(5,933)		20,329	47,737	1,241	60,042

\* See accompanying text for detail of SIC categories

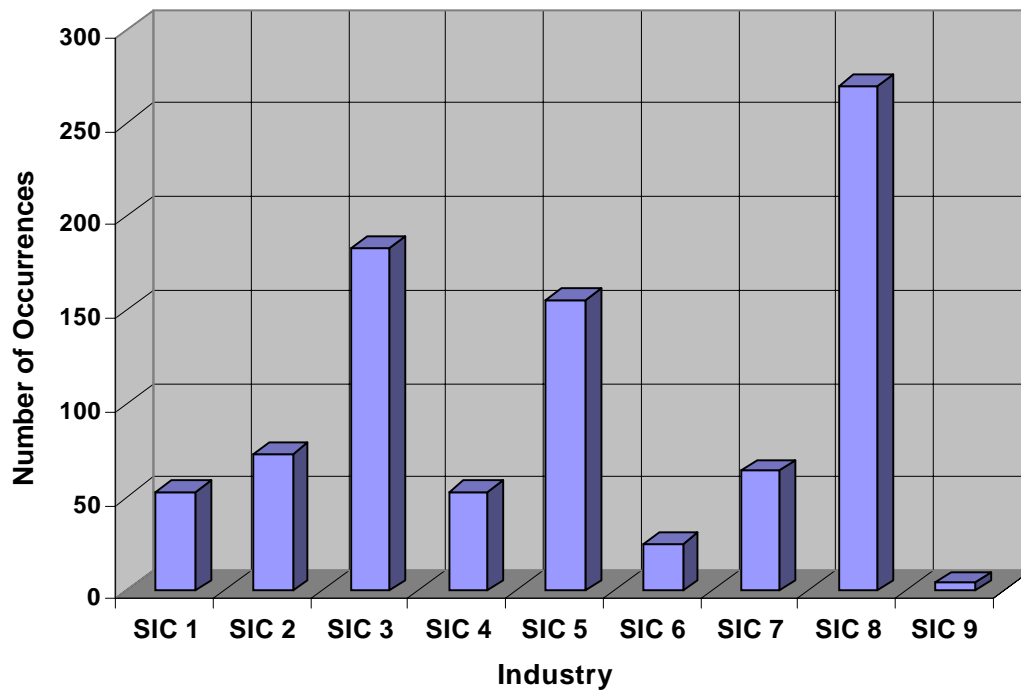


**EXHIBIT E**  
**Dollars Assessed in 45 IAC Citations by Industrial Code**  
**Adjusted Gross Income Tax Audits**

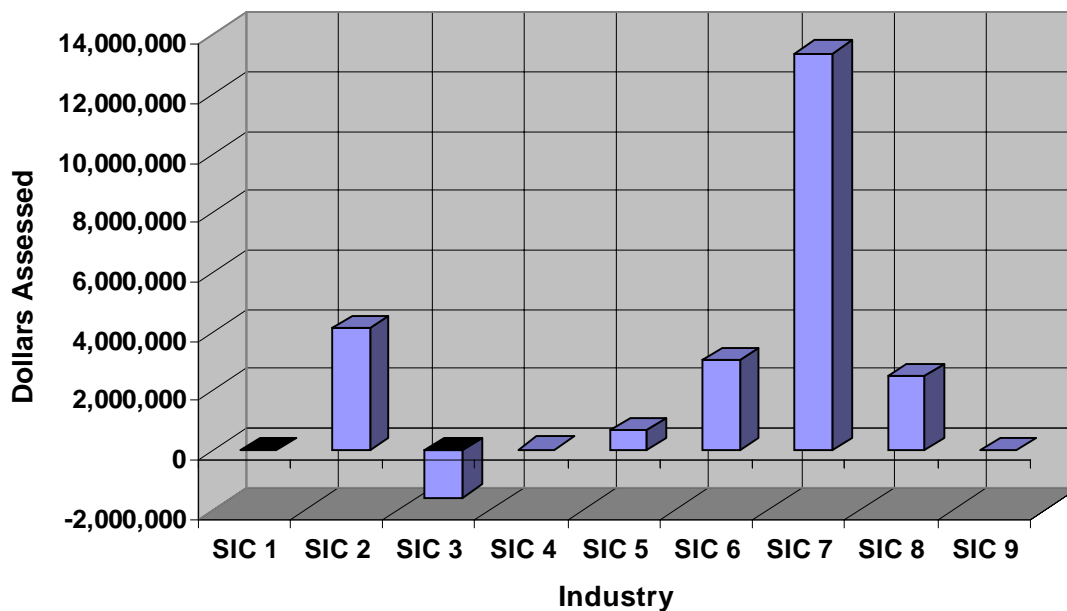
Sum of Amount	SIC *									
Citation	1	2	3	4	5	6	7	8	9	Grand Total
45 IAC 3.1-1-50	38	(28,850)	(46,855)		11,445	(1,824)		40		(66,006)
45 IAC 3.1-1-51	(3,137)	(2,051)	136,648	(137)	(9,701)		391	(158)		121,855
45 IAC 3.1-1-52		728	346,429		48,582		91	2,500		398,330
45 IAC 3.1-1-53		29,924	488,716		30,479					549,119
45 IAC 3.1-1-56			900							900
45 IAC 3.1-1-57	400			3,350				345		4,095
45 IAC 3.1-1-58	(22,000)	55,250								33,250
45 IAC 3.1-1-59		600	3,079			411,272	5,400	1,000		421,351
45 IAC 3.1-1-6					(873)			1,149		276
45 IAC 3.1-1-60			31,900		4,700					36,600
45 IAC 3.1-1-61		28,721								28,721
45 IAC 3.1-1-62			48,241		279,251					327,492
45 IAC 3.1-1-63				(17,513)						(17,513)
45 IAC 3.1-1-64		(40,000)								(40,000)
45 IAC 3.1-1-65								241		241
45 IAC 3.1-1-66	800	354						(16,876)		(15,722)
45 IAC 3.1-1-67	(770)		(692)					(1,165)		(2,627)
45 IAC 3.1-1-68					1,927		3,375	109,150		114,452
45 IAC 3.1-1-7		13,782	(85)					145		13,842
45 IAC 3.1-1-71					10,157			(6,286)		3,871
45 IAC 3.1-1-72			(59,956)		(1,361)			(2,070)		(63,387)
45 IAC 3.1-1-74								3,396		3,396
45 IAC 3.1-1-79					161					161
45 IAC 3.1-1-8	3,070	141,807	182,008	134,649	2,742,861	(15,906)	7,437,236	(139,608)		10,486,117
45 IAC 3.1-1-9	(164,277)	3,065,262	(2,799,256)	(32,345)	232,155	(124,043)	(374,616)	(70,662)		(267,782)
45 IAC 3.1-1-92	(33,720)	(8,936)	(253,651)	(1,368)	(101,658)	83,726		(355)		(315,962)
45 IAC 3.1-1-94	12,032	419,293	74,395	(28,970)	38,268		19,414	31,480		565,912
45 IAC 3.1-1-96					2,700					2,700
45 IAC 3.1-1-97	73,595	15,881	20,809	9,187	256,093	(72)	38,094	41,960		455,547
45 IAC 3.1-2-1	1,721		(4,936)		12,866	1,700		28,169		39,520
45 IAC 3.1-2-2			5,362	948	214	3,630				10,154
45 IAC 3.1-2-4					(118)					(118)
45 IAC 3.1-3-1								559		559
45 IAC 3.1-3-2			2,773	649				2,189		5,611
45 IAC 3.1-3-3					162	929		65	456	1,612
45 IAC 3.1-3-6								79		79
Grand Total	(43,266)	4,107,867	(1,587,865)	26,140	651,834	3,048,754	13,380,253	2,469,969	3,226	22,056,912

\* See accompanying text for detail of SIC categories

### Adjusted Gross Income Tax Violations by Industry Group



### Adjusted Gross Income Tax Dollars Assessed by Industry Group



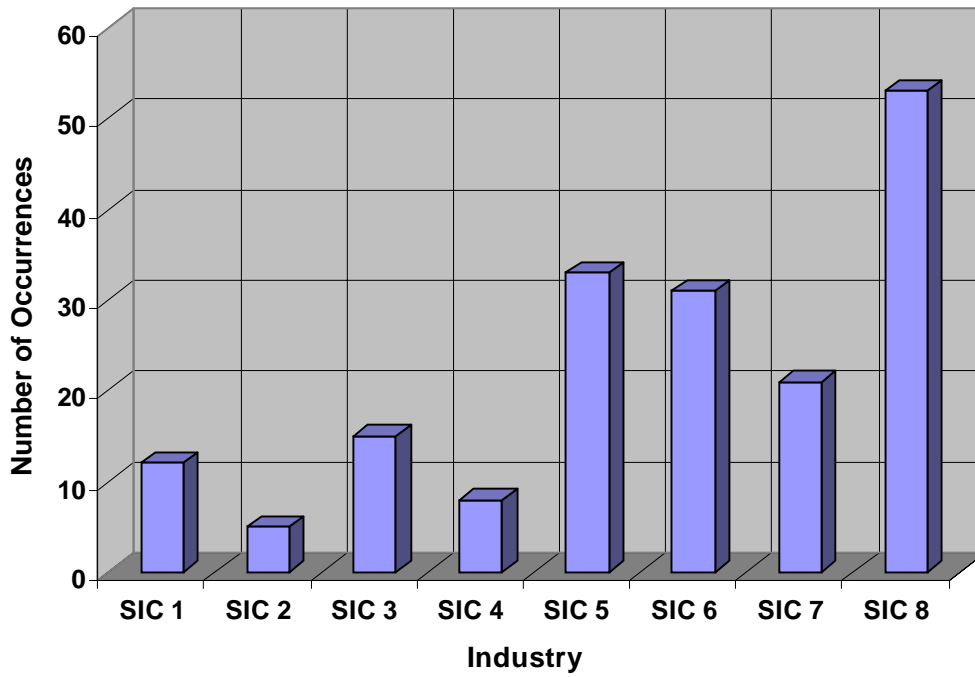
## EXHIBIT F

### Dollars Assessed in Misc. Code Violations by Industrial Code

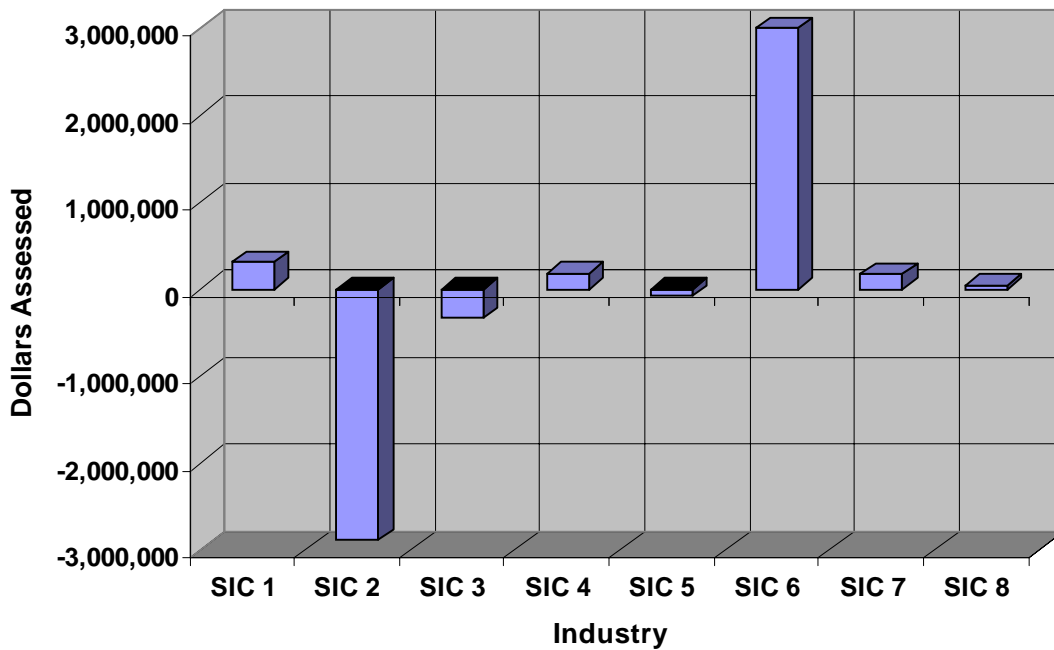
Sum of Amount	SIC *								
Citation	1	2	3	4	5	6	7	8	Grand Total
45 IAC 15-11-2					750	500			1,250
45 IAC 15-11-3	3,531							18,173	21,704
45 IAC 15-11-6			20				460		480
45 IAC 15-5-1	380,620	649,047					9,520		1,039,187
45 IAC 15-5-7			(10,158)				24,900	57	14,799
45 IAC 15-9-1							116,704		116,704
45 IAC 15-9-2	(590)	(509)	253,874	172,198		(186)		(20,841)	403,946
45 IAC 17-2-1						(231,159)			(231,159)
45 IAC 17-2-3						635			635
45 IAC 17-3-1					4,824	415,008			419,832
45 IAC 17-3-10					22,735	685,169			707,904
45 IAC 17-3-4					(6,775)	28,384			21,609
45 IAC 17-3-5						20,238			20,238
45 IAC 17-3-6					284,804	2,142,481			2,427,285
45 IAC 17-3-7					(21,196)				(21,196)
45 IAC 17-3-9					18,505	(64,367)			(45,862)
45 IAC 17-5-1					(447,451)				(447,451)
45 IAC 18-2-3				1,750	2,500			40,250	44,500
45 IAC 18-5-1							6,060		6,060
IC 6-2.5-4-13				1,057				11,429	12,486
IC 6-2.5-5-35			(116)		(470)		(780)		(1,366)
IC 6-2-7-2	71								71
IC 6-3.1-4-2			(464,330)						(464,330)
IC 6-3.5-5-6	229								229
IC 6-3.5-6-1								2,250	2,250
IC 6-3-2.5-6					150				150
IC 6-3-2-12		(3,528,657)	(125,577)						(3,654,234)
IC 6-3-3-10			(9,500)						(9,500)
IC 6-3-3-9								80	80
IC 6-5.5-1-17						(30,451)			(30,451)
IC 6-5.5-1-2						(3,801)			(3,801)
IC 6-5.5-2-5	(9,416)								(9,416)
IC 6-5.5-4-2	(71,120)				289				(70,831)
IC 6-5.5-4-4						32,618			32,618
IC 6-5.5-6-6					41,982				41,982
IC 6-6-9-7					3,102				3,102
IC 6-7-2-7								(16,948)	(16,948)
IC 6-8.1-4-2	2,060		27,133	7,034	3,657		128	12,663	52,675
IC 6-9-12-3							4,555		4,555
IC 6-9-18-3				665			768		1,433
IC 6-9-20-3							4,552		4,552
IC 6-9-23-4								110	110
IC 6-9-26-9					11,583				11,583
Grand Total	305,385	(2,880,119)	(328,654)	182,704	(81,011)	2,995,069	166,867	47,223	407,464

\* See accompanying text for detail of SIC categories

**Miscellaneous Code Violations by Industry Group**



**Miscellaneous Code Dollars Assessed by Industry Group**



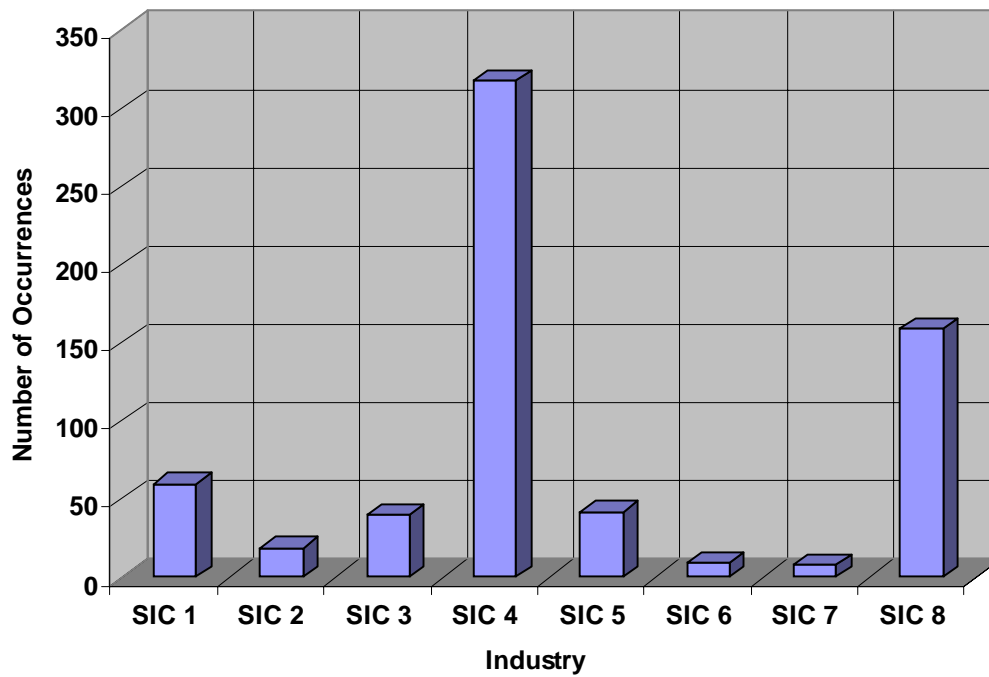
## EXHIBIT G

### Dollars Assessed in Code and Article Citations by Industrial Code Special Tax Audits

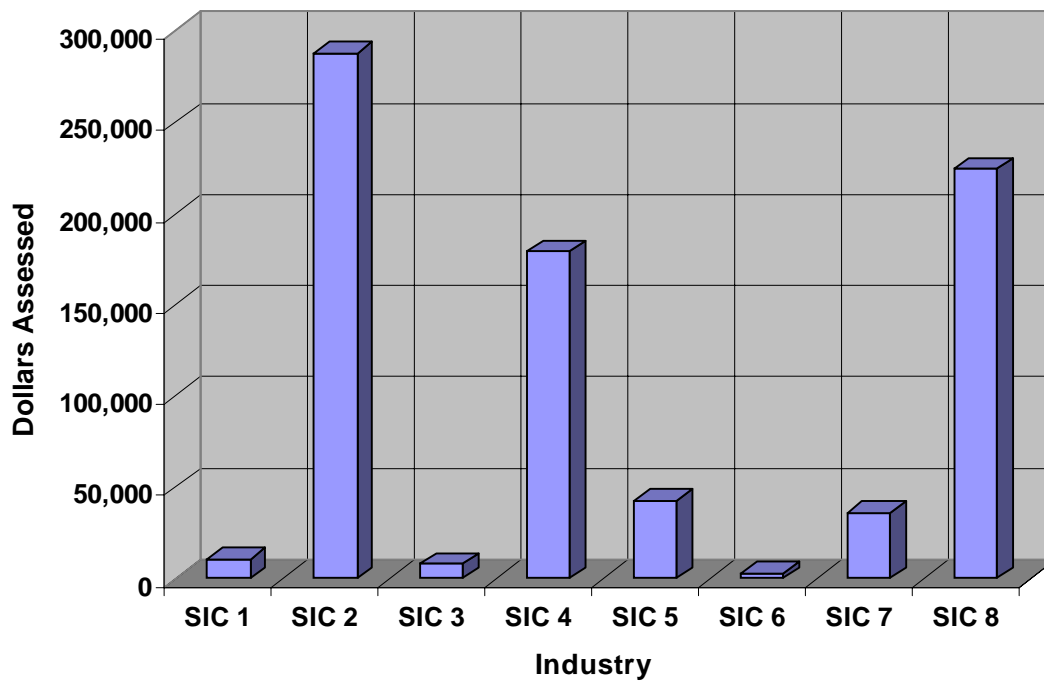
Sum of Amount	SIC *								
Citation	1	2	3	4	5	6	7	8	Grand Total
A550				4,016				1,485	5,501
IC 16-44-2-18					1,172				1,172
IC 6-2.5-7-10					(699)				(699)
IC 6-6-1.1-201				(388)	284			(67)	(171)
IC 6-6-1.1-301					28,414			(2,691)	25,723
IC 6-6-1.1-502							42	108	150
IC 6-6-2.5-28				24,724	6,243				30,967
IC 6-6-2.5-30		181,397					29,280		210,677
IC 6-6-2.5-32								1,322	1,322
IC 6-6-2.5-35		107,922							107,922
IC 6-6-4.1-3								(107)	(107)
IC 6-6-4.1-4	8,775	5,238	2,418	14,104	(683)		1,177	4,445	35,474
IC 6-6-4.1-6	(4,756)	(2,958)	(1,204)	(8,385)	651		697	803	(15,152)
IC 6-6-4.1-9	489							101	590
IC 6-7-1-1				26,215					26,215
IC 6-7-1-16					500				500
IC 6-7-1-19				1,344	1,135			128,322	130,801
IC 6-7-2-12				1,789	623				2,412
IC 6-7-2-7								(16,948)	(16,948)
IC 7.1-4-2-1					3,795			461	4,256
IC 8-2.1-20-7	30			715				1,362	2,107
IRP Article II-204					125				125
IRP Article XV-1502	731		2,811	11,894	37	1,193	325	62,583	79,574
IRP Article XVII-1502				455					455
IRP Article XVII-1700	(184)	(542)	606	7,419	302	1	1,504	4,364	13,470
R1000	1,014	(4,871)	450	(28,928)	(185)	509	(14,655)	7,016	(39,650)
R1200			216	4,569		1,097		979	6,861
R500				(377)					(377)
R800	4,455	1,978	2,418	116,443	1,103	231	17,786	31,345	175,759
R810				64					64
R970			369	3,626					3,995
Grand Total	10,554	288,164	8,084	179,299	42,817	3,031	36,156	224,883	792,988

\* See accompanying text for detail of SIC categories

**Special Tax Violations by Industry Group**

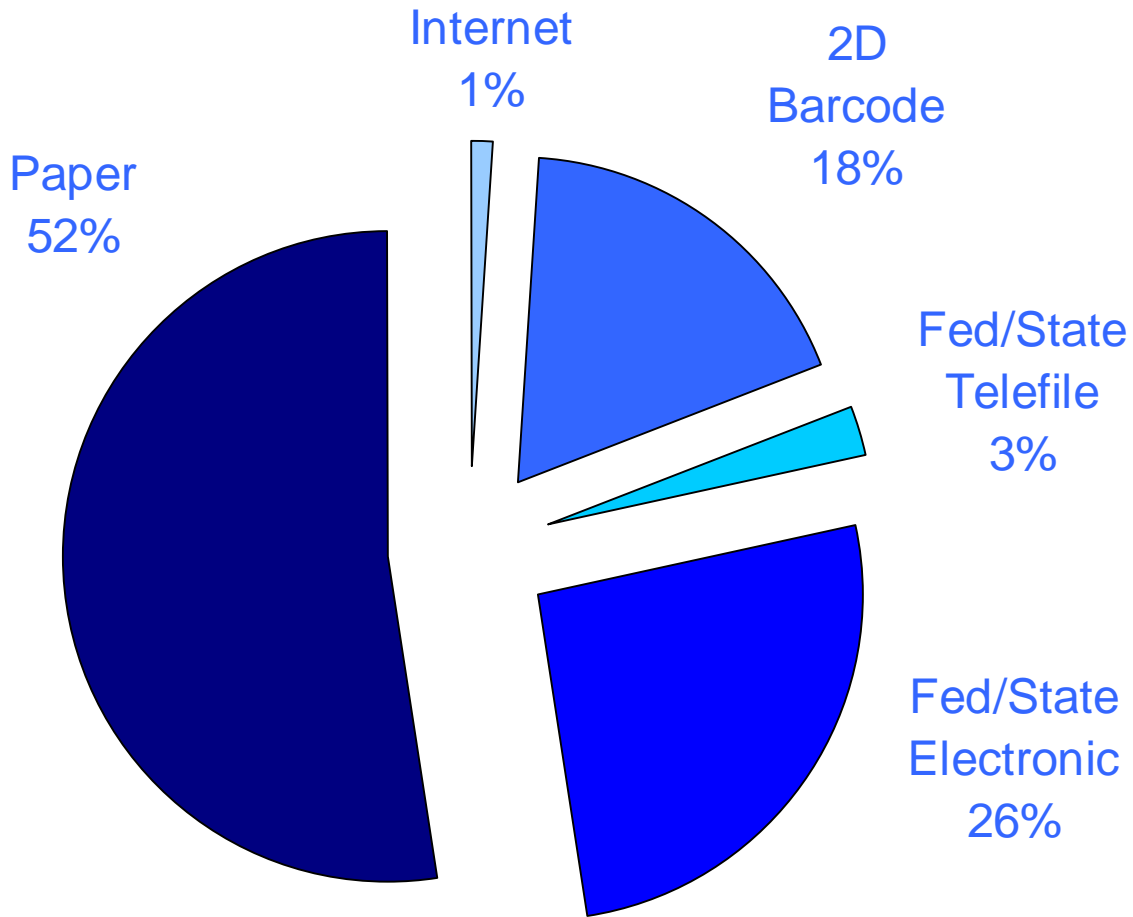


**Special Tax Dollars Assessed by Industry Group**





## 2000 Individual Returns Processed



### 2000 Indiana Individual Returns by Type

Internet	34,468
2-D Barcode	507,173
Fed/State TeleFile	71,136
Fed/State Electronic	734,725
Paper	1,489,634
<b>Grand Total</b>	<b>2,837,136</b>

# NOTES

# NOTES

The Indiana Department of Revenue's Annual Report for Fiscal Year 2001 (FY01) includes July 1, 2000 through June 30, 2001 and is published in accordance with the Taxpayer Bill of Rights. Its purpose is to make information accessible to the taxpayers, as well as to the Governor and the legislators of the State of Indiana.

This year's front and back covers were again designed by Kathy A. Bond, the Department's Outreach Coordinator and also Editor of this year's Charity Gaming Annual Report. Kathy has designed numerous annual report covers for the Department, as well as brochures, posters and other publications.

Editor of this FY01 Departmental Annual Report is again Cheryl Denk, Director of Media Relations and Publications.

Questions or suggestions regarding this report may be directed to her via e-mail at:

[cdenk@dor.state.in.us](mailto:cdenk@dor.state.in.us);

via the U.S. Postal Service at:

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Media Relations and Publications  
Commissioner's Office  
Indiana Department of Revenue  
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or, via telephone at (317) 233-3070.

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